

# JEFFERSON COUNTY, MISSISSIPPI

Audited Financial Statements and Special Reports  
For the Year Ended September 30, 2013

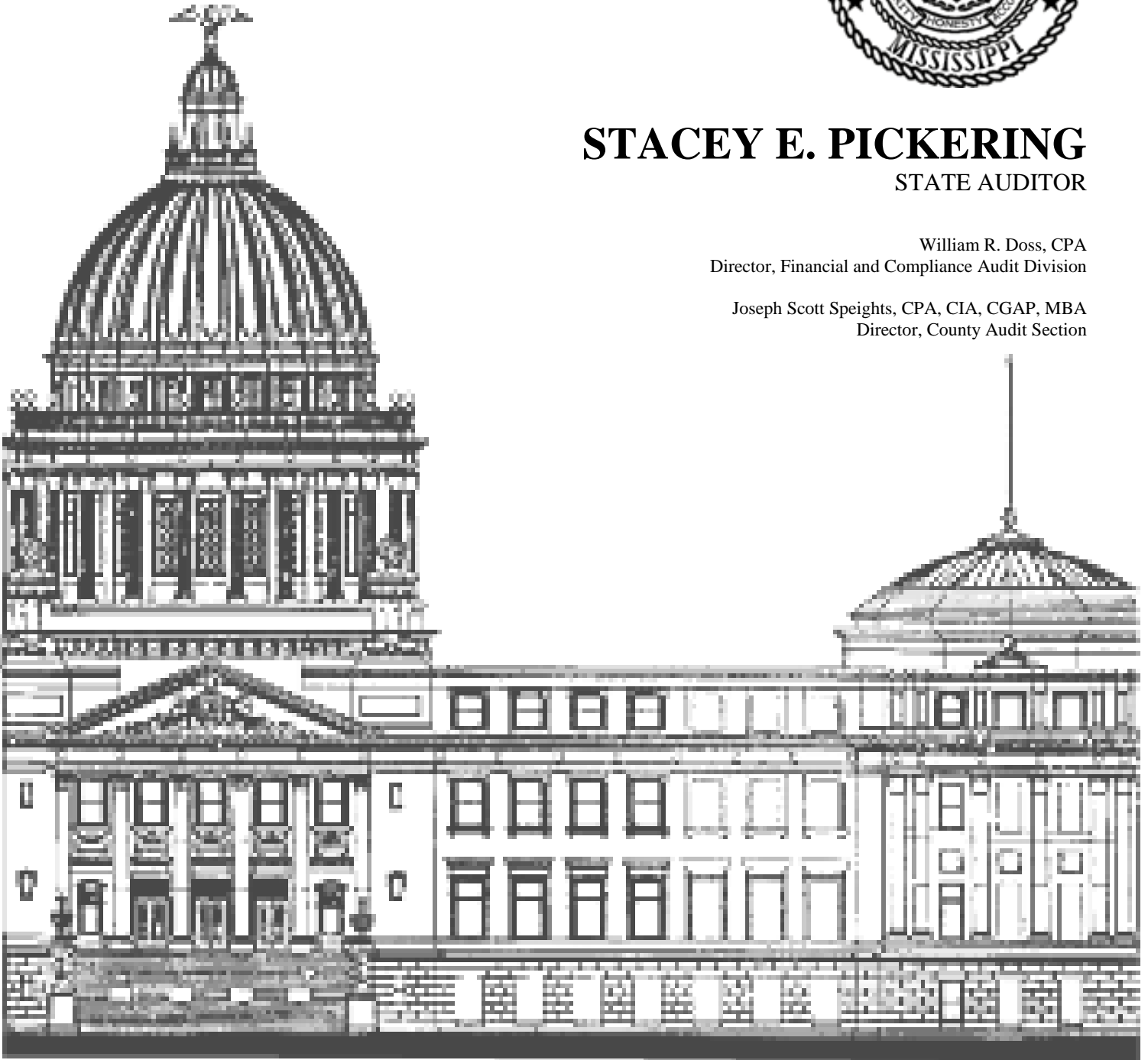


## STACEY E. PICKERING

STATE AUDITOR

William R. Doss, CPA  
Director, Financial and Compliance Audit Division

Joseph Scott Speights, CPA, CIA, CGAP, MBA  
Director, County Audit Section



A Report from the County Audit Section

[www.osa.state.ms.us](http://www.osa.state.ms.us)









**STATE OF MISSISSIPPI**  
**OFFICE OF THE STATE AUDITOR**  
**STACEY E. PICKERING**  
AUDITOR

April 24, 2015

Members of the Board of Supervisors  
Jefferson County, Mississippi

Dear Board Members:

I am pleased to submit to you the 2013 financial and compliance audit report for Jefferson County. This audit was performed pursuant to Section 7-7-211(e), Mississippi Code Ann. (1972). The audit was performed in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States.

I appreciate the cooperation and courtesy extended by the officials and employees of Jefferson County throughout the audit. Thank you for working to move Mississippi forward by serving as a supervisor for Jefferson County. If I or this office can be of any further assistance, please contact me or J. Scott Speights of my staff at (601) 576-2674.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Stacey E. Pickering", written in a cursive style.

Stacey E. Pickering  
State Auditor



JEFFERSON COUNTY

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JEFFERSON COUNTY

FINANCIAL SECTION

JEFFERSON COUNTY

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**STATE OF MISSISSIPPI  
OFFICE OF THE STATE AUDITOR  
STACEY E. PICKERING  
AUDITOR**

**INDEPENDENT AUDITOR'S REPORT**

Members of the Board of Supervisors  
Jefferson County, Mississippi

**Report on the Financial Statements**

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of Jefferson County, Mississippi, (the County) as of and for the year ended September 30, 2013, and the related notes to the financial statements, which collectively comprise the basic financial statements of the County's primary government as listed in the table of contents.

**Management's Responsibility for the Financial Statements**

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

**Auditor's Responsibility**

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

## **Basis for Adverse Opinion on the Aggregate Discretely Presented Component Units**

The financial statements do not include financial data for the County's legally separate component units. Accounting principles generally accepted in the United States of America require the financial data for those component units to be reported with the financial data of the County's primary government unless the County also issues financial statements for the financial reporting entity that include the financial data for its component units. The County has not issued such reporting entity financial statements. The amount by which this departure would affect the assets, liabilities, net position, revenues and expenses of the aggregate discretely presented component units is not reasonably determinable.

## **Adverse Opinion**

In our opinion, because of the significance of the matter discussed in the "Basis for Adverse Opinion on the Aggregate Discretely Presented Component Units" paragraph, the financial statements referred to above do not present fairly, the financial position of the aggregate discretely presented component units of Jefferson County, Mississippi, as of September 30, 2013, or the changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## **Unmodified Opinions**

In our opinion, the financial statements referred to previously present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of Jefferson County, Mississippi, as of September 30, 2013, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## **Other Matters**

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the Budgetary Comparison Schedules and corresponding notes be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

## **Omission of Required Supplementary Information**

Jefferson County, Mississippi, has omitted the Management's Discussion and Analysis, that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. Our opinion on the basic financial statements is not affected by this missing information.

### *Supplementary and Other Information*

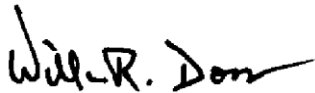
Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Jefferson County, Mississippi's basic financial statements. The accompanying Reconciliation of Operating Costs of Solid Waste is also presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The Reconciliation of Operating Costs of Solid Waste has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the financial statements themselves, and other additional procedures in accordance with

auditing standards generally accepted in the United States of America. In our opinion, the Reconciliation of Operating Costs of Solid Waste is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

The Schedule of Surety Bonds for County Officials has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

**Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated April 24, 2015, on our consideration of Jefferson County, Mississippi's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Jefferson County, Mississippi's internal control over financial reporting and compliance.

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WILLIAM R. DOSS, CPA  
Director, Financial and Compliance Audit Division

April 24, 2015

JEFFERSON COUNTY

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JEFFERSON COUNTY

FINANCIAL STATEMENTS

JEFFERSON COUNTY

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JEFFERSON COUNTY  
Statement of Net Position  
September 30, 2013

Exhibit 1

	Primary Government		
	Governmental	Business-type	
	Activities	Activities	Total
ASSETS			
Cash	\$ 958,052		958,052
Restricted assets - investments		2,072,532	2,072,532
Property tax receivable	2,650,869		2,650,869
Accounts receivable (net of allowance for uncollectibles of \$312,959)	88,529		88,529
Fines receivable (net of allowance for uncollectibles of \$626,240)	148,016		148,016
Loans receivable	41,000		41,000
Intergovernmental receivables	128,632	591,052	719,684
Other receivables	48,226		48,226
Internal balances	96,950	(96,950)	
Capital assets:			
Land	50,453	235,000	285,453
Other capital assets, net	7,132,521	2,606,090	9,738,611
Total Assets	11,343,248	5,407,724	16,750,972
LIABILITIES			
Claims payable	389,426	242,058	631,484
Intergovernmental payables	62,102		62,102
Accrued interest payable	8,426	13,667	22,093
Deferred revenue	2,650,869		2,650,869
Unearned revenue	10,357		10,357
Amounts held in custody for others	345,518		345,518
Other payables	36,022		36,022
Short-term debt	900,000		900,000
Long-term liabilities			
Due within one year:			
Capital debt	208,731	415,000	623,731
Due in more than one year:			
Capital debt	208,625	610,000	818,625
Non-capital debt	145,250	99,259	244,509
Total Liabilities	4,965,326	1,379,984	6,345,310
NET POSITION			
Net investment in capital assets	6,765,618	1,816,090	8,581,708
Restricted for:			
Expendable:			
General government	126,058		126,058
Public safety	330,723	1,926,374	2,257,097
Public works	1,539,909		1,539,909
Health and welfare	901		901
Culture and recreation	214,024		214,024
Economic development and assistance	171,077		171,077
Debt service	94,019	285,276	379,295
Unrestricted	(2,864,407)		(2,864,407)
Total Net Position	\$ 6,377,922	4,027,740	10,405,662

The notes to the financial statements are an integral part of this statement.

JEFFERSON COUNTY  
Statement of Activities  
For the Year Ended September 30, 2013

Exhibit 2

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Governmental Activities	Business-type Activities	Total
Primary government:							
Governmental activities:							
General government	\$ 2,640,094	377,046	14,630		(2,248,418)		(2,248,418)
Public safety	1,294,700	96,616	203,577		(994,507)		(994,507)
Public works	1,810,231	267,016	485,567	329,020	(728,628)		(728,628)
Health and welfare	126,884		50,271		(76,613)		(76,613)
Culture and recreation	8,637				(8,637)		(8,637)
Conservation of natural resources	36,122				(36,122)		(36,122)
Economic development and assistance	18,801				(18,801)		(18,801)
Interest on long-term debt	59,072				(59,072)		(59,072)
Total Governmental Activities	<u>5,994,541</u>	<u>740,678</u>	<u>754,045</u>	<u>329,020</u>	<u>(4,170,798)</u>		<u>(4,170,798)</u>
Business-type activities:							
Correctional Facility	2,994,978	3,487,532				492,554	492,554
Total Business-type Activities	<u>2,994,978</u>	<u>3,487,532</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>492,554</u>	<u>492,554</u>
Total Primary Government	<u>\$ 8,989,519</u>	<u>4,228,210</u>	<u>754,045</u>	<u>329,020</u>	<u>(4,170,798)</u>	<u>492,554</u>	<u>(3,678,244)</u>
General revenues:							
Property taxes					\$ 3,016,137		3,016,137
Road & bridge privilege taxes					88,518		88,518
Grants and contributions not restricted to specific programs					524,890		524,890
Unrestricted interest income					46,242	175	46,417
Miscellaneous					324,851	1,336	326,187
Total General Revenues					<u>4,000,638</u>	<u>1,511</u>	<u>4,002,149</u>
Changes in Net Position					<u>(170,160)</u>	<u>494,065</u>	<u>323,905</u>
Net Position - Beginning, as previously reported					6,910,629	3,132,545	10,043,174
Prior period adjustments					<u>(362,547)</u>	<u>401,130</u>	<u>38,583</u>
Net Position - Beginning, as restated					<u>6,548,082</u>	<u>3,533,675</u>	<u>10,081,757</u>
Net Position - Ending					<u>\$ 6,377,922</u>	<u>4,027,740</u>	<u>10,405,662</u>

The notes to the financial statements are an integral part of this statement.

JEFFERSON COUNTY  
Balance Sheet - Governmental Funds  
September 30, 2013

Exhibit 3

	<u>Major Funds</u>				
	<u>General</u>	<u>Garbage and</u>	<u>Countywide</u>	<u>Other</u>	<u>Total</u>
	<u>Fund</u>	<u>Solid Waste</u>	<u>Road</u>	<u>Governmental</u>	<u>Governmental</u>
		<u>Fund</u>	<u>Maintenance</u>	<u>Funds</u>	<u>Funds</u>
			<u>Fund</u>		
ASSETS					
Cash	\$ 501,743			456,309	958,052
Property tax receivable	1,897,247	126,103	378,642	248,877	2,650,869
Accounts receivable (net of allowance for uncollectibles of \$312,959)		88,529			88,529
Fines receivable (net of allowance for uncollectibles of \$626,240)	148,016				148,016
Loans receivable				41,000	41,000
Intergovernmental receivables	40,606	8,462		79,564	128,632
Other receivables	25,092	21,804		1,330	48,226
Due from other funds	75,159	1,431	1,763,414	788,329	2,628,333
Advances to other funds	20,500	3,800	62,800	593,485	680,585
Total Assets	\$ <u>2,708,363</u>	<u>250,129</u>	<u>2,204,856</u>	<u>2,208,894</u>	<u>7,372,242</u>
LIABILITIES					
Liabilities:					
Claims payable	\$ 155,586	29,531	97,443	106,866	389,426
Intergovernmental payables	60,590				60,590
Due to other funds	1,137,140	603,159		792,596	2,532,895
Advances from other funds	443,408	36,800	66,830	133,547	680,585
Deferred revenue	2,045,263	214,632	378,642	248,877	2,887,414
Unearned revenue		10,357			10,357
Amounts held in custody for others	345,518				345,518
Other payables			36,022		36,022
Short-term debt	576,000		324,000		900,000
Total Liabilities	\$ <u>4,763,505</u>	<u>894,479</u>	<u>902,937</u>	<u>1,281,886</u>	<u>7,842,807</u>
Fund balances:					
Nonspendable:					
Advances	20,500				20,500
Restricted for:					
General government				126,058	126,058
Public safety				330,723	330,723
Public works			1,301,919	237,990	1,539,909
Health and welfare				901	901
Culture and recreation				214,024	214,024
Economic development and assistance				171,077	171,077
Debt service				102,445	102,445
Unassigned	(2,075,642)	(644,350)		(256,210)	(2,976,202)
Total Fund Balances	\$ <u>(2,055,142)</u>	<u>(644,350)</u>	<u>1,301,919</u>	<u>927,008</u>	<u>(470,565)</u>
Total Liabilities and Fund Balances	\$ <u>2,708,363</u>	<u>250,129</u>	<u>2,204,856</u>	<u>2,208,894</u>	<u>7,372,242</u>

The notes to the financial statements are an integral part of this statement.

## JEFFERSON COUNTY

Exhibit 3-1Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Position  
September 30, 2013

	<u>Amount</u>
Total Fund Balance - Governmental Funds	\$ (470,565)
Amounts reported for governmental activities in the Statement of Net Position are different because:	
Capital assets are used in governmental activities and are not financial resources and, therefore, are not reported in the funds, net of accumulated depreciation of \$4,842,827	7,182,974
Other long-term assets are not available to pay for current period expenditures and, therefore, are deferred in the funds.	236,545
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the funds.	(562,606)
Accrued interest payable is not due and payable in the current period and, therefore, is not reported in the funds.	<u>(8,426)</u>
Total Net Position - Governmental Activities	\$ <u><u>6,377,922</u></u>

The notes to the financial statements are an integral part of this statement.

## JEFFERSON COUNTY

Exhibit 4

## Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds

For the Year Ended September 30, 2013

	Major Funds				
	General	Garbage and	County wide	Other	Total
	Fund	Solid Waste	Road	Governmental	Governmental
	Fund	Fund	Maintenance	Funds	Funds
REVENUES					
Property taxes	\$ 2,289,145	112,184	414,655	200,153	3,016,137
Road and bridge privilege taxes			88,518		88,518
Licenses, commissions and other revenue	97,115			4,175	101,290
Fines and forfeitures	270,979				270,979
Intergovernmental revenues	295,642	8,462	894,824	409,027	1,607,955
Charges for services		261,719		83,979	345,698
Interest income	46,082	3		157	46,242
Miscellaneous revenues	196,555		137	128,159	324,851
Total Revenues	3,195,518	382,368	1,398,134	825,650	5,801,670
EXPENDITURES					
Current:					
General government	2,491,471			65,823	2,557,294
Public safety	950,216			275,112	1,225,328
Public works		381,959	893,079	249,735	1,524,773
Health and welfare	98,789			10,360	109,149
Culture and recreation				3,849	3,849
Conservation of natural resources	36,122				36,122
Economic development and assistance				18,801	18,801
Debt service:					
Principal		40,594	93,998	99,000	233,592
Interest	18,466	4,158	20,521	9,647	52,792
Total Expenditures	3,595,064	426,711	1,007,598	732,327	5,761,700
Excess of Revenues over (under) Expenditures	(399,546)	(44,343)	390,536	93,323	39,970
OTHER FINANCING SOURCES (USES)					
Proceeds from sale of capital assets	9,301			47,000	56,301
Total Other Financing Sources	9,301	0	0	47,000	56,301
Net Changes in Fund Balances	(390,245)	(44,343)	390,536	140,323	96,271
Fund Balances - Beginning, as previously reported	(1,544,667)	(601,807)	911,383	952,976	(282,115)
Prior period adjustments	(120,230)	1,800		(166,291)	(284,721)
Fund Balances - Beginning, as restated	(1,664,897)	(600,007)	911,383	786,685	(566,836)
Fund Balances - Ending	\$ (2,055,142)	(644,350)	1,301,919	927,008	(470,565)

The notes to the financial statements are an integral part of this statement.

## JEFFERSON COUNTY

Exhibit 4-1

Reconciliation of the Statement of Revenues, Expenditures and Changes in  
Fund Balances of Governmental Funds to the Statement of Activities  
For the Year Ended September 30, 2013

	<u>Amount</u>
Net Changes in Fund Balances - Governmental Funds	\$ 96,271
Amounts reported for governmental activities in the Statement of Activities are different because:	
Governmental Funds report capital outlays as expenditures. However, in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. Thus, the change in net position differs from the change in fund balances by the amount that capital outlays of \$95,074 did not exceed depreciation of \$527,689 in the current period.	(432,615)
In the Statement of Activities, only gains and losses from the sale of capital assets are reported, whereas in the Governmental Funds, proceeds from the sale of capital assets increase financial resources. Thus, the change in net position differs from the change in fund balances by the amount of the net loss of \$38,885 and the proceeds from the sale of \$56,301 in the current period.	(95,186)
Fine revenue recognized on the modified accrual basis in the funds during the current year is reduced because prior year recognition would have been required on the Statement of Activities using the full-accrual basis of accounting.	17,414
Solid waste revenue recognized on the modified accrual basis in the funds during the current year is reduced because prior year recognition would have been required on the Statement of Activities using the full-accrual basis of accounting.	5,297
Debt proceeds provide current financial resources to Governmental Funds, but issuing debt increases long-term liabilities in the Statement of Net Position. Repayment of debt principal is an expenditure in the Governmental Funds, but the repayment reduces long-term liabilities in the Statement of Net Position. Thus, the change in net position differs from the change in fund balances by the amount of debt repayments of \$233,592.	233,592
Under the modified accrual basis of accounting used in the Governmental Funds, expenditures are not recognized for transactions that are not normally paid with expendable available financial resources. However, in the Statement of Activities, which is presented on the accrual basis, expenses and liabilities are reported regardless of when financial resources are available. In addition, interest on long-term debt is recognized under the modified accrual basis of accounting when due, rather than as it accrues. Thus, the change in net position differs from the change in fund balances by a combination of the following items:	
The decrease in compensated absences liability	11,347
The increase in accrued interest payable	<u>(6,280)</u>
Change in Net Position of Governmental Activities	\$ <u>(170,160)</u>

The notes to the financial statements are an integral part of this statement.

JEFFERSON COUNTY  
Statement of Net Position - Proprietary Fund  
September 30, 2013

Exhibit 5

	Business-type Activities - Enterprise Fund
	<u>Correctional Facility Fund</u>
ASSETS	
Current assets:	
Restricted assets - investments	\$ 2,072,532
Intergovernmental receivables	<u>591,052</u>
Total Current Assets	<u>2,663,584</u>
Noncurrent assets:	
Capital assets:	
Land	235,000
Other capital assets, net	<u>2,606,090</u>
Total Noncurrent Assets	<u>2,841,090</u>
Total Assets	<u>5,504,674</u>
LIABILITIES	
Current liabilities:	
Claims payable	242,058
Due to other funds	96,950
Accrued interest payable	13,667
Capital debt:	
Other long-term liabilities	<u>415,000</u>
Total Current Liabilities	<u>767,675</u>
Noncurrent liabilities:	
Capital debt:	
Other long-term liabilities	610,000
Non-capital debt:	
Compensated absences payable	<u>99,259</u>
Total Noncurrent Liabilities	<u>709,259</u>
NET POSITION	
Net investment in capital assets	1,816,090
Restricted for:	
Public safety	1,926,374
Debt service	<u>285,276</u>
Total Net Position	<u>\$ 4,027,740</u>

The notes to the financial statements are an integral part of this statement.

## JEFFERSON COUNTY

Exhibit 6Statement of Revenues, Expenses and Changes in Net Position - Proprietary Fund  
For the Year Ended September 30, 2013

	Business-type Activities - Enterprise Fund
	<u>Correctional Facility Fund</u>
Operating Revenues	
Charges for services	\$ 3,487,532
Total Operating Revenues	<u>3,487,532</u>
Operating Expenses	
Personal services	1,964,458
Contractual services	362,250
Materials and supplies	522,514
Depreciation expense	84,239
Total Operating Expenses	<u>2,933,461</u>
Operating Income (Loss)	<u>554,071</u>
Nonoperating Revenues (Expenses)	
Interest income	175
Interest expense	(61,517)
Other income (expenses)	1,336
Net Nonoperating Revenue (Expenses)	<u>(60,006)</u>
Changes in Net Position	<u>494,065</u>
Net Position - Beginning, as previously reported	3,132,545
Prior period adjustments	401,130
Net Position - Beginning, as restated	<u>3,533,675</u>
Net Position - Ending	<u>\$ 4,027,740</u>

The notes to the financial statements are an integral part of this statement.



JEFFERSON COUNTY  
Statement of Cash Flows - Proprietary Fund  
For the Year Ended September 30, 2013

Exhibit 7

	Business-type Activities - Enterprise Funds Correctional Facility Fund
Cash Flows From Operating Activities	
Receipts from customers	\$ 3,695,759
Payments to suppliers	(946,600)
Payments to employees	(1,928,084)
Net Cash Provided (Used) by Operating Activities	<u>821,075</u>
Cash Flows From Noncapital Financing Activities	
Cash received from other funds:	
Loans from other funds	96,950
Other receipts	1,336
Net Cash Provided (Used) by Noncapital Financing Activities	<u>98,286</u>
Cash Flows From Capital and Related Financing Activities	
Acquisition and construction of capital assets	(16,495)
Principal paid on long-term debt	(395,000)
Interest paid on debt	(62,050)
Net Cash Provided (Used) by Capital and Related Financing Activities	<u>(473,545)</u>
Cash Flows From Investing Activities	
Interest on deposits	175
Purchase of investment securities	(3,823,767)
Sale of investment securities	3,189,883
Net Cash Provided (Used) by Investing Activities	<u>(633,709)</u>
Net Increase (Decrease) in Cash and Cash Equivalents	(187,893)
Cash and Cash Equivalents at Beginning of Year	<u>187,893</u>
Cash and Cash Equivalents at End of Year	<u>\$ 0</u>
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:	
Operating income (loss)	\$ 554,071
Adjustments to reconcile operating income to net cash provided (used) by operating activities:	
Depreciation expense	84,239
Changes in assets and liabilities:	
(Increase) decrease in intergovernmental receivables	(16,773)
(Increase) decrease in other receivables	225,000
Increase (decrease) in claims payable	(26,050)
Increase (decrease) in compensated absences liability	588
Total Adjustments	<u>267,004</u>
Net Cash Provided (Used) by Operating Activities	<u>\$ 821,075</u>

The notes to the financial statements are an integral part of this statement.

JEFFERSON COUNTY  
Statement of Fiduciary Assets and Liabilities  
September 30, 2013

Exhibit 8

	Agency Funds
ASSETS	
Cash	\$ 102,886
Due from other funds	1,512
Total Assets	\$ 104,398
LIABILITIES	
Amounts held in custody for others	\$ 15,054
Intergovernmental payables	89,344
Total Liabilities	\$ 104,398

The notes to the financial statements are an integral part of this statement.

## JEFFERSON COUNTY

### Notes to Financial Statements For the Year Ended September 30, 2013

#### (1) Summary of Significant Accounting Policies.

##### A. Financial Reporting Entity.

Jefferson County is a political subdivision of the State of Mississippi. The County is governed by an elected five-member Board of Supervisors. Accounting principles generally accepted in the United States of America require Jefferson County to present these financial statements on the primary government and its component units which have significant operational or financial relationships with the County.

Management has chosen to omit from these financial statements the following component units which have significant operational or financial relationships with the County. Accordingly, the financial statements do not include the data of all of the County's component units necessary for reporting in accordance with accounting principles generally accepted in the United States of America.

- Jefferson County Hospital
- Jefferson County Nursing Home

State law pertaining to County government provides for the independent election of County officials. The following elected and appointed officials are all part of the County legal entity and therefore are reported as part of the primary government financial statements.

- Board of Supervisors
- Chancery Clerk
- Circuit Clerk
- Justice Court Clerk
- Purchase Clerk
- Tax Assessor-Collector
- Sheriff

##### B. Basis of Presentation.

The County's basic financial statements consist of government-wide statements, including a Statement of Net Position and a Statement of Activities, fund financial statements and accompanying note disclosures which provide a detailed level of financial information.

##### Government-wide Financial Statements:

The Statement of Net Position and Statement of Activities display information concerning the County as a whole. The statements include all nonfiduciary activities of the primary government. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities are generally financed through taxes, intergovernmental revenues and other nonexchange revenues and are reported separately from business-type activities. Business-type activities rely mainly on fees and charges for support. The primary government is reported separately from certain legally separate component units for which the primary government is financially accountable.

The Statement of Net Position presents the financial condition of the governmental activities and business type activities of the County at year-end. The Government-wide Statement of Activities presents a comparison between direct expenses and program revenues for each function or program of the County's governmental activities and business-type activities. Direct expenses are those that are specifically associated with a service, program or department and therefore, are clearly identifiable to a particular function. Program revenues include charges paid by the recipient of the goods or services offered by the program and grants and contributions that are restricted to meeting the operational or capital requirements of a particular program.

## JEFFERSON COUNTY

### Notes to Financial Statements For the Year Ended September 30, 2013

Taxes and other revenues not classified as program revenues, are presented as general revenues of the County, with certain limited exceptions. The comparison of direct expenses with program revenues identifies the extent to which each business-type activity or governmental function is self-financing or draws from the general revenues of the County.

#### Fund Financial Statements:

Fund financial statements of the County are organized into funds, each of which is considered to be separate accounting entities. Each fund is accounted for by providing a separate set of self-balancing accounts that constitute its assets, liabilities, fund equity, revenues and expenditures/expenses. Funds are organized into governmental, proprietary and fiduciary. Major individual Governmental Funds and major individual Enterprise Funds are reported as separate columns in the fund financial statements. Nonmajor funds are aggregated and presented in a single column as Other Governmental Funds.

#### C. Measurement Focus and Basis of Accounting.

The Government-wide, Proprietary Funds and Fiduciary Funds (excluding agency funds) financial statements are presented using the economic resources measurement focus and the accrual basis of accounting. Revenues are recognized when earned and expenses are recorded when the liability is incurred or economic asset used, regardless of when the related cash flows take place. Property taxes are recognized as revenue in the year for which they are levied. Shared revenues are recognized when the provider government recognizes the liability to the County. Grants are recognized as revenues as soon as all eligibility requirements have been satisfied. Agency funds have no measurement focus, but use the accrual basis of accounting.

The revenues and expenses of Proprietary Funds are classified as operating or non-operating. Operating revenues and expenses generally result from providing services in connection with a Proprietary Fund's primary operations. All other revenues and expenses are reported as non-operating.

Governmental financial statements are presented using a current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized in the accounting period when they are both measurable and available to finance operations during the year or to liquidate liabilities existing at the end of the year. Available means collected in the current period or within 60 days after year end to liquidate liabilities existing at the end of the year. Measurable means knowing or being able to reasonably estimate the amount. Expenditures are recognized in the accounting period when the related fund liabilities are incurred. Debt service expenditures and expenditures related to compensated absences and claims and judgments, are recognized only when payment is due. Property taxes, state appropriations and federal awards are all considered to be susceptible to accrual and have been recognized as revenues of the current fiscal period.

The County reports the following major Governmental Funds:

General Fund - This fund is used to account for and report all financial resources not accounted for and reported in another fund.

Garbage and Solid Waste Fund - This fund is used to account for the County's activities of disposal of solid waste within the County.

Countywide Road Maintenance Fund - This fund is used to account for monies from specific revenue sources that are restricted for road maintenance.

## JEFFERSON COUNTY

### Notes to Financial Statements For the Year Ended September 30, 2013

The County reports the following major Enterprise Fund:

Correctional Facility Fund - This fund is used to account for Jefferson County's portion of revenue and expenses dealing with the correctional facility that Jefferson and Franklin County share.

Additionally, the County reports the following fund types:

#### GOVERNMENTAL FUND TYPES

Special Revenue Funds - These funds are used to account for and report the proceeds of specific revenue sources that are restricted or committed to expenditure for specified purposes other than debt service or capital projects.

Debt Service Funds - These funds are used to account for and report financial resources that are restricted, committed, or assigned to expenditure for principal and interest.

Capital Projects Funds - These funds are used to account for and report financial resources that are restricted, committed, or assigned to expenditure for capital outlays, including the acquisition or construction of capital facilities and other capital assets.

#### PROPRIETARY FUND TYPE

Enterprise Funds - These funds are used to account for those operations that are financed and operated in a manner similar to private business enterprises or where the County has decided that periodic determination of revenues earned, expenses incurred and/or net income is necessary for management accountability.

#### FIDUCIARY FUND TYPE

Agency Funds - These funds account for various taxes, deposits and other monies collected or held by the County, acting in the capacity of an agent, for distribution to other governmental units or designated beneficiaries.

#### D. Account Classifications.

The account classifications used in the financial statements conform to the broad classifications recommended in *Governmental Accounting, Auditing and Financial Reporting* as issued in 2012 by the Government Finance Officers Association.

#### E. Deposits and Investments.

State law authorizes the County to invest in interest bearing time certificates of deposit for periods of fourteen days to one year with depositories and in obligations of the U.S. Treasury, State of Mississippi, or any County, municipality or school district of this state. Further, the County may invest in certain repurchase agreements.

Cash includes cash on hand, demand deposits, all certificates of deposit and cash equivalents, which are short-term highly liquid investments that are readily convertible to cash (generally three months or less). Investments in governmental securities are stated at fair value. However, the County did not invest in any governmental securities during the fiscal year.

#### F. Receivables.

Receivables are reported net of allowances for uncollectible accounts, where applicable.

## JEFFERSON COUNTY

### Notes to Financial Statements For the Year Ended September 30, 2013

#### G. Interfund Transactions and Balances.

Transactions between funds that are representative of short-term lending/borrowing arrangements and transactions that have not resulted in the actual transfer of cash at the end of the fiscal year are referred to as "due to/from other funds." Noncurrent portions of interfund receivables and payables are reported as "advances to/from other funds." Advances between funds, as reported in the fund financial statements, are offset by a nonspendable fund balance account in the General Fund, if applicable, to indicate that they are not available for appropriation and are not expendable available financial resources. However, this is not applicable to advances reported in other governmental funds, which are reported, by definition, as restricted, committed, or assigned. Interfund receivables and payables between funds within governmental activities are eliminated in the Statement of Net Position. Any outstanding balances between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances."

#### H. Restricted Assets.

Proprietary Fund assets required to be held and/or used as specified in bond indentures, bond resolutions, trustee agreements, board resolutions and donor specifications have been reported as restricted assets. When both restricted and nonrestricted assets are available for use, the policy is to use restricted assets first.

Proprietary Fund assets required to be held and/or used as specified in bond indentures, bond resolutions, trustee agreements, board resolutions and donor specifications have been reported as restricted assets. Certain proceeds of the County's enterprise fund revenue bonds, as well as certain resources set aside for their repayment, are classified as restricted assets on the balance sheet because they are maintained in separate bank accounts and their use is limited by applicable bond covenants. The "revenue" fund is used to account for all revenues of the correctional facility and to provide payment for operating and maintenance expenses as well as required monthly deposits to other accounts to meet minimum requirements of the trust agreement. The "depreciation and operating reserve" fund is used to pay the costs of major repairs and replacements to the correctional facility the costs of which are such that they should be spread over a number of years rather than charged as a current expense in a single year. The "excess revenue" fund is used to pay the costs of major repairs and replacements to the correctional facility as well as to pay operating and maintenance expense when other funds are insufficient to pay these expenses within established limitations. The "debt service reserve" account is used to report resources set aside to subsidize potential deficiencies from the County's operation that could adversely affect debt service payments. The "general" account is used to accumulate funds to pay the principal and interest payments due on the County's enterprise fund revenue bonds. When both restricted and nonrestricted assets are available for use, the policy is to use the restricted assets first.

#### I. Capital Assets.

Capital acquisition and construction are reflected as expenditures in Governmental Fund statements and the related assets are reported as capital assets in the (applicable) governmental or business-type activities column in the government-wide financial statements. All purchased capital assets are stated at historical cost where records are available and at an estimated historical cost where no records exist. Capital assets include significant amounts of infrastructure which have been valued at estimated historical cost. The estimated historical cost was based on replacement cost multiplied by the consumer price index implicit price deflator for the year of acquisition. The extent to which capital assets, other than infrastructure, costs have been estimated and the methods of estimation are not readily available. Donated capital assets are recorded at estimated fair market value at the time of donation. The costs of normal maintenance and repairs that do not add to the value of assets or materially extend their respective lives are not capitalized; however, improvements are capitalized. Interest expenditures are not capitalized on capital assets.

Governmental accounting and financial reporting standards allow governments meeting certain criteria to elect not to report major general infrastructure assets retroactively. Jefferson County meets this criteria and has so elected. Therefore, the major general infrastructure assets acquired prior to October 1, 2002, are not reported in the government-wide financial statements.

## JEFFERSON COUNTY

### Notes to Financial Statements For the Year Ended September 30, 2013

General infrastructure assets include all roads and bridges and other infrastructure assets acquired subsequent to October 1, 2002.

Capital assets acquired or constructed for Proprietary Fund operations are capitalized at cost in the respective funds in which they are utilized. No interest is capitalized on self-constructed assets because non-capitalization of interest does not have a material effect on the County's financial statements. Donated capital assets are recorded at their fair value at the time of donation.

Capitalization thresholds (dollar value above which asset acquisitions are added to the capital asset accounts) and estimated useful lives are used to report capital assets in the government-wide statements and Proprietary Funds. Depreciation is calculated on the straight-line basis for all assets, except land. A full year's depreciation expense is taken for all purchases and sales of capital assets during the year. The following schedule details those thresholds and estimated useful lives:

	Capitalization Thresholds	Estimated Useful Life
Land	\$ 0	N/A
Infrastructure	0	20-50 years
Buildings	50,000	40 years
Mobile equipment	5,000	5-10 years
Furniture and equipment	5,000	3-7 years
Leased property under capital leases	*	*

\* Leased property capitalization policy and estimated useful life will correspond with the amounts for the asset classification, as listed above.

#### J. Long-term Liabilities.

Long-term liabilities are the unmatured principal of bonds, loans, notes or other forms of noncurrent or long-term general obligation indebtedness. Long-term liabilities are not limited to liabilities from debt issuances, but may also include liabilities on lease-purchase agreements and other commitments.

In the government-wide financial statements and in the Proprietary Fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities or Proprietary Funds Statement of Net Position.

#### K. Equity Classifications.

##### Government-wide Financial Statements:

Equity is classified as net position and displayed in three components:

Net investment in capital assets - Consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, notes or other borrowings attributable to the acquisition, construction or improvement of those assets.

Restricted net position - Consists of net position with constraints placed on the use either by external groups such as creditors, grantors, contributors, or laws and regulations of other governments; or law through constitutional provisions or enabling legislation.

Unrestricted net position - All other net position not meeting the definition of "restricted" or "net investment in capital assets."

## JEFFERSON COUNTY

### Notes to Financial Statements For the Year Ended September 30, 2013

#### Fund Financial Statements:

Fund balances for governmental funds are reported in classifications that comprise a hierarchy based primarily on the extent to which the government is bound to honor constraints on the specific purposes for which amounts in those funds can be spent.

Government fund balance is classified as nonspendable, restricted, committed, assigned or unassigned. The following are descriptions of fund classifications used by the County:

*Nonspendable fund balance* includes amounts that cannot be spent. This includes amounts that are either not in a spendable form (inventories, prepaid amounts, long-term portion of loans/notes receivable, or property held for resale unless the proceeds from the collection of those receivables or from the sale of those properties are restricted, committed or assigned) or amounts that are legally or contractually required to be maintained intact, such as a principal balance of a permanent fund.

*Restricted fund balance* includes amounts that have constraints placed upon the use of the resources either by an external party or imposed by law through a constitutional provision or enabling legislation.

*Unassigned fund balance* is the residual classification for the General Fund. This classification represents fund balance that has not been assigned to other funds and that has not been restricted, committed or assigned to specific purposes within the General Fund. The General Fund should be the only fund that reports a positive unassigned fund balance amount. In other governmental funds if expenditures incurred for specific purposes exceeded the amounts restricted, committed or assigned to those purposes, it may be necessary to report a negative unassigned fund balance.

When an expenditure is incurred for purposes for which both restricted and unrestricted (committed, assigned or unassigned) resources are available, it is the County's general policy to use restricted resources first. When expenditures are incurred for purposes for which unrestricted (committed, assigned and unassigned) resources are available, and amounts in any of these unrestricted classifications could be used, it is the County's general policy to spend committed resources first, followed by assigned amounts, and then unassigned amounts.

#### L. Property Tax Revenues.

Numerous statutes exist under which the Board of Supervisors may levy property taxes. The selection of authorities is made based on the objectives and responsibilities of the County. Restrictions associated with property tax levies vary with the statutory authority. The amount of increase in certain property taxes is limited by state law. Generally, this restriction provides that these tax levies shall produce no more than 110% of the amount which resulted from the assessments of the previous year.

The Board of Supervisors, each year at a meeting in September, levies property taxes for the ensuing fiscal year which begins on October 1. Real property taxes become a lien on January 1 of the current year, and personal property taxes become a lien on March 1 of the current year. Taxes on both real and personal property, however, are due on or before February 1 of the next succeeding year. Taxes on motor vehicles and mobile homes become a lien and are due in the month that coincides with the month of original purchase.

Accounting principles generally accepted in the United States of America require property taxes to be recognized at the levy date if measurable and available. All property taxes are recognized as revenue in the year for which they are levied. Motor vehicle and mobile home taxes do not meet the measurability and collectability criteria for property tax recognition because the lien and due date cannot be established until the date of original purchase occurs.



# JEFFERSON COUNTY

## Notes to Financial Statements For the Year Ended September 30, 2013

### M. Intergovernmental Revenues in Governmental Funds.

Intergovernmental revenues, consisting of grants, entitlements and shared revenues, are usually recorded in Governmental Funds when measurable and available. However, the "available" criterion applies for certain federal grants and shared revenues when the expenditure is made because expenditure is the prime factor for determining eligibility. Similarly, if cost sharing or matching requirements exist, revenue recognition depends on compliance with these requirements.

### N. Compensated Absences.

The County has adopted a policy of compensation for accumulated unpaid employee personal leave. No payment is authorized for accrued major medical leave. Accounting principles generally accepted in the United States of America require accrual of accumulated unpaid employee benefits as long-term liabilities in the government-wide financial statements and Proprietary Funds financial statements. In fund financial statements, Governmental Funds report the compensated absence liability payable only if the payable has matured, for example an employee resigns or retires.

### O. Changes in Accounting Standards.

The County implemented the following standards issued by the Governmental Accounting Standards Board (GASB) in the current fiscal year as required. GASB Statement No. 61, *The Financial Reporting Entity: Omnibus – an amendment of GASB Statements No. 14 and No. 34*; GASB Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*; and GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*. The provisions of these standards have been incorporated into the financial statements and the notes.

### (2) Prior Period Adjustments.

A summary of significant fund equity adjustments is as follows.

#### Exhibit 2 - Statement of Activities – Governmental Activities.

Explanation	Amount
To correct prior year errors in recording cash	\$ (74,375)
To correct prior year error in capital assets, net	17,115
To correct prior year error in compensated absences	(94,941)
To correct prior year error in revenue recognition	(164,491)
To correct prior year error in expense recognition	(45,855)
Total prior period adjustments	\$ (362,547)

#### Exhibit 4 - Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds.

Explanation	Amount
To correct prior year errors in recording cash	\$ (74,375)
To correct prior year error in revenue recognition	(164,491)
To correctly record advances from other funds	(1,800)
To correctly record advances from other funds	1,800
To correct prior year error in expense recognition	(45,855)
Total prior period adjustments	\$ (284,721)

JEFFERSON COUNTY

Notes to Financial Statements  
For the Year Ended September 30, 2013

**Exhibit 2 – Statement of Activities – Business-type Activities.**

**Exhibit 6 - Statement of Revenues, Expenses and Changes in Net Position – Proprietary Fund.**

Explanation	Amount
To correct prior year error in compensated absences	\$ (20,497)
To correct prior year error in expense recognition	(152,652)
To correct charges for services for prior year revenue recorded in the current year	574,279
Total prior period adjustments	\$ 401,130

(3) Deposits and Investments.

Deposits:

The carrying amount of the County's total deposits with financial institutions at September 30, 2013, was \$1,060,938, and the bank balance was \$1,067,071. The collateral for public entities' deposits in financial institutions is held in the name of the State Treasurer under a program established by the Mississippi State Legislature and is governed by Section 27-105-5, Miss. Code Ann. (1972). Under this program, the entity's funds are protected through a collateral pool administered by the State Treasurer. Financial institutions holding deposits of public funds must pledge securities as collateral against those deposits. In the event of failure of a financial institution, securities pledged by that institution would be liquidated by the State Treasurer to replace the public deposits not covered by the Federal Deposit Insurance Corporation (FDIC).

**Custodial Credit Risk - Deposits.** Custodial credit risk is the risk that in the event of the failure of a financial institution, the County will not be able to recover deposits or collateral securities that are in the possession of an outside party. The County does not have a formal policy for custodial credit risk. However, the Mississippi State Treasurer manages that risk on behalf of the County. Deposits above FDIC coverage are collateralized by the pledging financial institution's trust department or agent in the name of the Mississippi State Treasurer on behalf of the County.

Investments:

As provided in Section 91-13-8, Miss. Code Ann. (1972), the following investments of the County are handled through a trust indenture between the County and the trustee related to the operations of the Regional Correctional Facility.

Investments balances at September 30, 2013, are as follows:

Investment Type	Maturities	Fair Value	Rating
Hancock Horizon Treasury Securities Money Market Mutual Fund	Less than one year	\$ 2,072,532	AAAm

The investment in the Hancock Horizon Treasury Securities Money Market Mutual Fund is uninsured and unregistered and is not backed by the full faith and credit of the federal government.

**Interest Rate Risk.** The County does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. However, Section 19-9-29, Miss. Code Ann. (1972) limits the maturity period of any investment to no more than one year.

**Credit Risk.** State law limits investments to those authorized by Sections 19-9-29 and 91-13-8, Miss. Code Ann. (1972). The County does not have a formal investment policy that would further limit its investments choices or one that addresses credit risk.

# JEFFERSON COUNTY

## Notes to Financial Statements For the Year Ended September 30, 2013

**Custodial Credit Risk - Investments.** Custodial credit risk is the risk that in the event of the failure of the counterparty, the County will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The County does not have a formal policy for custodial credit risk. These investments are uninsured, unregistered, and held in trust accounts by the investment's counterparty on behalf of the County, not in the name of the County.

**Concentration of Credit Risk.** The County places no limit on the amount the County may invest in any one issuer. All of the County's investments are in the Hancock Horizon Treasury Securities Money Market Mutual Fund and are reported in the Correctional Facility Fund.

### (4) Interfund Transactions and Balances.

The following is a summary of interfund balances at September 30, 2013:

#### A. Due From/To Other Funds:

Receivable Fund	Payable Fund	Amount
General Fund	Other Governmental Funds	\$ 75,159
Garbage and Solid Waste Fund	General Fund	1,431
Countywide Road Maintenance Fund	General Fund	1,131,559
Countywide Road Maintenance Fund	Garbage and Solid Waste Fund	603,159
Countywide Road Maintenance Fund	Correctional Facility Fund	28,696
Other Governmental Funds	General Fund	2,638
Other Governmental Funds	Other Governmental Funds	717,437
Other Governmental Funds	Correctional Facility Fund	68,254
Agency Funds	General Fund	1,512
Total		\$ 2,629,845

The receivables represent the tax revenue collected in September, 2013 but not settled until October, 2013. All interfund balances are expected to be repaid within one year from the date of the financial statements.

#### B. Advances from/to Other Funds:

Receivable Fund	Payable Fund	Amount
General Fund	Garbage and Solid Waste Fund	\$ 1,000
General Fund	Other Governmental Funds	19,500
Garbage and Solid Waste Fund	Other Governmental Funds	3,800
Countywide Road Maintenance	General Fund	300
Countywide Road Maintenance	Garbage and Solid Waste Fund	18,000
Countywide Road Maintenance	Other Governmental Funds	44,500
Other Governmental Funds	General Fund	443,108
Other Governmental Funds	Garbage and Solid Waste Fund	17,800
Other Governmental Funds	Countywide Road Maintenance	66,830
Other Governmental Funds	Other Governmental Funds	65,747
Total		\$ 680,585

The advances to and from other funds were made in prior years for cash flow purposes.

JEFFERSON COUNTY

Notes to Financial Statements  
For the Year Ended September 30, 2013

(5) Intergovernmental Receivables.

Intergovernmental receivables at September 30, 2013, consisted of the following:

Description	Amount
<b>Governmental Activities:</b>	
EPA Water/Sewer grant	\$ 79,564
Legislative tag credit	24,869
Other	24,199
Total Governmental Activities	\$ 128,632
<b>Business-type Activities:</b>	
Reimbursement for housing prisoners	\$ 591,052

(6) Loans Receivable.

Loans receivable balances at September 30, 2013, are as follows:

Description	Date of Loan	Interest Rate	Maturity Date	Receivable Balance
Low income housing loan	12/2000	1.00%	12/2050	\$ 410,000
Less: Allowance for doubtful accounts				(369,000)
Total				\$ 41,000

(7) Restricted Assets.

The balances of the restricted asset accounts in the enterprise fund are as follows:

Revenue fund	\$ 1,102,413
General account	114,004
Debt service reserve fund	285,276
Excess revenue fund	100,751
Depreciation and operating reserve fund	470,088
Total restricted assets	\$ 2,072,532

(8) Capital Assets.

The following is a summary of capital assets activity for the year ended September 30, 2013:

**Governmental activities:**

	Balance Oct. 1, 2012	Additions	Deletions	Adjustments*	Balance Sept. 30, 2013
<b>Non-depreciable capital assets:</b>					
Land	\$ 50,453				50,453
Total non-depreciable capital assets	50,453	0	0	0	50,453
<b>Depreciable capital assets:</b>					
Infrastructure	5,896,199				5,896,199
Buildings	2,649,889				2,649,889
Mobile equipment	2,407,266	95,074	375,915	313,192	2,439,617
Furniture and equipment	271,126			38,956	310,082

JEFFERSON COUNTY

Notes to Financial Statements  
For the Year Ended September 30, 2013

	Balance Oct. 1, 2012	Additions	Deletions	Adjustments*	Balance Sept. 30, 2013
Leased property under capital leases	992,753			(313,192)	679,561
Total depreciable capital assets	12,217,233	95,074	375,915	38,956	11,975,348
<u>Less accumulated depreciation for:</u>					
Infrastructure	1,264,986	191,585			1,456,571
Buildings	1,024,410	50,670			1,075,080
Mobile equipment	1,747,855	185,662	280,729	197,311	1,850,099
Furniture and equipment	133,196	30,911		21,841	185,948
Leased property under capital leases	403,579	68,861		(197,311)	275,129
Total accumulated depreciation	4,574,026	527,689	280,729	21,841	4,842,827
Total depreciable capital assets, net	7,643,207	(432,615)	95,186	17,115	7,132,521
Governmental activities capital assets, net	\$ 7,693,660	(432,615)	95,186	17,115	7,182,974
<b>Business-type activities:</b>					
	Balance Oct. 1, 2012	Additions	Deletions	Adjustments	Balance Sept. 30, 2013
<u>Non-depreciable capital assets:</u>					
Land	\$ 235,000				235,000
Total non-depreciable capital assets	235,000	0	0	0	235,000
<u>Depreciable capital assets:</u>					
Buildings	3,862,120				3,862,120
Mobile equipment	34,930	16,495			51,425
Furniture and equipment	106,749				106,749
Total depreciable capital assets	4,003,799	16,495	0	0	4,020,294
<u>Less accumulated depreciation for:</u>					
Buildings	1,235,876	77,242			1,313,118
Mobile equipment	31,437	2,969			34,406
Furniture and equipment	62,652	4,028			66,680
Total accumulated depreciation	1,329,965	84,239	0	0	1,414,204
Total depreciable capital assets, net	2,673,834	(67,744)	0	0	2,606,090
Business-type activities capital assets, net	\$ 2,908,834	(67,744)	0	0	2,841,090

\*Adjustments were to record furniture and equipment, and its related accumulated depreciation, from a prior year, and to reclassify paid off capital leases to mobile equipment.

# JEFFERSON COUNTY

## Notes to Financial Statements For the Year Ended September 30, 2013

Depreciation expense was charged to the following functions:

	Amount
<b>Governmental Activities:</b>	
General government	\$ 47,166
Public safety	110,716
Public works	344,304
Health and welfare	18,145
Culture and recreation	<u>7,358</u>
Total governmental activities depreciation expense	\$ <u>527,689</u>
<b>Business-type activities:</b>	
Correctional facility	\$ <u>84,239</u>

### (9) Claims and Judgments.

Risk Financing.

The County finances its exposure to risk of loss related to workers' compensation for injuries to its employees through the Mississippi Public Entity Workers' Compensation Trust, a public entity risk pool. The County pays premiums to the pool for its workers' compensation insurance coverage, and the participation agreement provides that the pool will be self-sustaining through member premiums. The retention for the pool is \$1,000,000 for each accident and completely covers statutory limits set by the Workers' Compensation Commission. Risk of loss is remote for claims exceeding the pool's retention liability. However, the pool also has catastrophic reinsurance coverage for statutory limits above the pool's retention, provided by Safety National Casualty Corporation, effective from January 1, 2013, to January 1, 2014. The pool may make an overall supplemental assessment or declare a refund depending on the loss experience of all the entities it insures.

### (10) Capital Leases.

As Lessee:

The County is obligated for the following capital assets acquired through capital leases as of September 30, 2013:

Classes of Property	Governmental Activities
Mobile equipment	\$ 679,561
Less: Accumulated depreciation	<u>(275,129)</u>
Leased Property Under Capital Leases	\$ <u>404,432</u>

The following is a schedule by years of the total payments due as of September 30, 2013:

Year Ending September 30	Governmental Activities	
	Principal	Interest
2014	\$ 105,731	9,179
2015	104,933	5,401
2016	<u>103,692</u>	<u>1,028</u>
Total	\$ <u>314,356</u>	<u>15,608</u>

JEFFERSON COUNTY

Notes to Financial Statements  
For the Year Ended September 30, 2013

(11) Short-term Debt and Liquidity.

The following is a summary of short-term debt activity for the year ended September 30, 2013:

Description of Debt	Balance Oct. 1, 2012	Additions	Reductions	Adjustment	Balance Sept. 30, 2013
2012 tax anticipation note	\$ 850,000		850,000		0
2013 tax anticipation note		900,000			900,000
Total	\$ 850,000	900,000	850,000	0	900,000

During the month of August, 2013, the County issued \$900,000 of tax anticipation notes with an interest rate of 8% and maturity date of April 1, 2014 in order to alleviate a temporary operating cash flow deficiency.

(12) Long-term Debt.

Debt outstanding as of September 30, 2013, consisted of the following:

Description and Purpose	Amount Outstanding	Interest Rate	Final Maturity Date
<b>Governmental Activities:</b>			
A. General Obligation Bonds:			
Road and Bridge Bonds-Refunding Series 2005	\$ 103,000	3.70-4.25%	07/2014
B. Capital Leases:			
Caterpillar 938H Wheel Loader	\$ 111,145	3.38%	01/2016
Caterpillar 257B Loader (used)	8,892	4.90%	05/2015
Caterpillar Mini Excavator (used)	13,085	4.90%	05/2015
2010 Dura Patcher	23,884	3.38%	01/2016
Caterpillar 12H Motor Grader	64,670	3.35%	12/2015
2010 Dump Truck	92,680	3.35%	01/2016
Total Capital Leases	\$ 314,356		
<b>Business-type Activities:</b>			
A. Limited Obligation Bonds:			
Urban renewal bonds-correctional facility			
Construction-refunding	\$ 1,025,000	4.00-4.50%	07/2016

**Pledge of Future Revenues** - The County has pledged future revenues for housing inmates, net of specified operating expenses, to repay \$2,845,000 in limited obligation urban renewal revenue bonds issued in 2008. Proceeds from the bonds provided financing for the refunding of the original urban renewal bonds that were used to construct the Jefferson County Regional Correctional Facility. The bonds are not a general obligation of the County and, therefore, are not secured by the full faith and credit of the County. The bonds are payable solely from income derived from an inmate housing agreement with the Mississippi Department of Corrections for housing state prisoners and income received from any other governments for housing and holding prisoners and are payable through 2016. Annual principal and interest payments on the bonds are expected to require less than 13 percent of net revenues. The total principal and interest remaining to be paid on the bonds is \$1,097,800. Principal and interest paid for the current year and total inmate housing net revenues were \$457,050 and \$3,487,532, respectively.

JEFFERSON COUNTY

Notes to Financial Statements  
For the Year Ended September 30, 2013

Annual debt service requirements to maturity for the following debt reported in the Statement of Net Position are as follows:

**Governmental Activities:**

Year Ending September 30	General Obligation Bonds	
	Principal	Interest
2014	\$ 103,000	4,378

**Business-type Activities:**

Year Ending September 30	Limited Obligation Bonds	
	Principal	Interest
2014	\$ 415,000	41,000
2015	425,000	24,400
2016	185,000	7,400
Total	\$ 1,025,000	72,800

Legal Debt Margin - The amount of debt, excluding specific exempted debt, that can be incurred by the County is limited by state statute. Total outstanding debt during a year can be no greater than 15% of assessed value of the taxable property within the County, according to the then last completed assessment for taxation. However, the limitation is increased to 20% whenever a County issues bonds to repair or replace washed out or collapsed bridges on the public roads of the County. As of September 30, 2013, the amount of outstanding debt was equal to 2.93% of the latest property assessments.

The following is a summary of changes in long-term liabilities and obligations for the year ended September 30, 2013:

	Balance Oct. 1, 2012	Additions	Reductions	Adjustments*	Balance Sept. 30, 2013	Amount due within one year
<b>Governmental Activities:</b>						
Compensated absences	\$ 61,656		11,347	94,941	145,250	
General obligation bonds	202,000		99,000		103,000	103,000
Capital leases	448,948		134,592		314,356	105,731
Total	\$ 712,604	0	244,939	94,941	562,606	208,731
<b>Business-type Activities:</b>						
Compensated absences	\$ 78,174	588		20,497	99,259	
Limited obligation bonds	1,420,000		395,000		1,025,000	415,000
Total	\$ 1,498,174	588	395,000	20,497	1,124,259	415,000

\*The adjustment was to correct compensated absences that were calculated incorrectly.

Compensated absences will be paid from the fund from which the employees' salaries were paid, which are generally the General Fund, Countywide Road Maintenance Fund, and the Correctional Facility Fund.



# JEFFERSON COUNTY

## Notes to Financial Statements For the Year Ended September 30, 2013

### (13) Deficit Fund Balances of Individual Funds.

The following funds reported deficits in fund balances at September 30, 2013:

Fund	Deficit Amount
General Fund	\$ 2,055,142
Garbage and Solid Waste Fund	644,350
Mapping and Reappraisal Fund	204,541
CDC Health Needs Assessments Fund	353
CDC Health Home Grants Fund	19,277
USDA Farmers Market Promo Program Fund	32,156
CBDG Road Grant Fund	59,149
Parks and Recreation Fund	4,400
Daycare Escrow Fund	10,600
Economic Development Youth Building Fund	10,162
Jefferson County Water/Sewer Fund	164,491
Jefferson County Road & Bridge Bond Fund	241,411
Courthouse Special Fund	14,799

### (14) Contingencies.

Federal Grants - The County has received federal grants for specific purposes that are subject to audit by the grantor agencies. Entitlements to these resources are generally conditional upon compliance with the terms and conditions of grant agreements and applicable federal regulations, including the expenditure of resources for allowable purposes. Any disallowance resulting from a grantor audit may become a liability of the County. No provision for any liability that may result has been recognized in the County's financial statements.

Litigation - The County is party to legal proceedings, many of which occur in the normal course of governmental operations. It is not possible at the present time to estimate ultimate outcome or liability, if any, of the County with respect to the various proceedings. However, the County's legal counsel believes that ultimate liability resulting from these lawsuits will not have a material adverse effect on the financial condition of the County.

### (15) No Commitment Debt (Not Included in Financial Statements).

No commitment debt is repaid only by the entities for whom the debt was issued and includes debt that either bears the County's name or for which a moral responsibility may exist that is not an enforceable promise to pay. No commitment debt explicitly states the absence of obligation by the County other than possibly an agreement to assist creditors in exercising their rights in the event of default. Because a default may adversely affect the County's own ability to borrow, the principal amount of such debt outstanding at year end is disclosed as follows:

Description	Balance at Sept. 30, 2013
Nursing home revenue bonds	\$ 748,355

### (16) Jointly Governed Organizations.

The County participates in the following jointly governed organizations:

Southwest Mississippi Planning and Development District operates in a district composed of the Counties of Adams, Amite, Claiborne, Franklin, Jefferson, Lawrence, Lincoln, Pike, Walthall and Wilkinson. The Jefferson County Board of Supervisors appoints four of the 40 members of the board of directors. The County contributes a small percentage of the district's total revenue. The County did not appropriate any support for the district in fiscal year 2013.

## JEFFERSON COUNTY

### Notes to Financial Statements For the Year Ended September 30, 2013

Southwest Mississippi Mental Health Complex operates in a district composed of the Counties of Adams, Amite, Claiborne, Franklin, Jefferson, Lawrence, Lincoln, Pike, Walthall and Wilkinson. The Jefferson County Board of Supervisors appoints one of the ten members of the board of commissioners. The County appropriated \$17,950 for its support in fiscal year 2013.

Copiah- Lincoln Community College operates in a district composed of the Counties of Adams, Copiah, Franklin, Jefferson, Lawrence, Lincoln, and Simpson. The Jefferson County Board of Supervisors appoints two of the 27 members of the College Board of Trustees. The County appropriated \$56,760 for maintenance and support of the college in fiscal year 2013.

Southwest Mississippi Partnership operates in a district composed of the Counties of Adams, Amite, Claiborne, Franklin, Jefferson, Lawrence, Lincoln, Pike, Walthall and Wilkinson. The entity is governed by ten members appointed by each County's lead industrial foundation or chamber of commerce. If no industrial foundation or chamber of commerce is present, the member is appointed by the County's Board of Supervisors. The member counties provide only modest financial support for the entity.

#### (17) Defined Benefit Pension Plan.

Plan Description. Jefferson County, Mississippi, contributes to the Public Employees' Retirement System of Mississippi (PERS), a cost-sharing, multiple-employer, defined benefit pension plan. PERS provides retirement and disability benefits, annual cost-of-living adjustments and death benefits to plan members and beneficiaries. Benefit provisions are established by state law and may be amended only by the State of Mississippi Legislature. PERS issues a publicly available financial report that includes financial statements and required supplementary information. That information may be obtained by writing to Public Employees' Retirement System, PERS Building, 429 Mississippi Street, Jackson, MS 39201-1005 or by calling 1-800-444-PERS.

Funding Policy. At September 30, 2013, PERS members were required to contribute 9% of their annual covered salary, and the County is required to contribute at an actuarially determined rate. The rate at September 30, 2013 was 15.75% of annual covered payroll. The contribution requirements of PERS members are established and may be amended only by the State of Mississippi Legislature. The County's contributions (employer share only) to PERS for the years ending September 30, 2013, 2012 and 2011 were \$434,178, \$405,721 and \$351,999, respectively, equal to the required contributions for each year.

#### (18) Subsequent Events.

Events that occur after the Statement of Net Position date but before the financial statements are available to be issued must be evaluated for recognition or disclosure. The effects of subsequent events that provide evidence about conditions that existed at the Statement of Net Position date are recognized in the accompanying financial statements. Subsequent events which provide evidence about conditions that existed after the Statement of Net Position date require disclosure in the accompanying notes. Management of Jefferson County evaluated the activity of the County through April 24, 2015, and determined that the following subsequent events has occurred requiring disclosure in the notes to the financial statements.

Subsequent to September 30, 2013, the County issued the following debt obligation:

Issue Date	Interest Rate		Issue Amount	Type of Financing	Source of Financing
02/27/2014	3.00-4.00%	\$	4,000,000	Bond proceeds	Ad valorem taxes

JEFFERSON COUNTY

REQUIRED SUPPLEMENTARY INFORMATION

JEFFERSON COUNTY

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JEFFERSON COUNTY  
 Budgetary Comparison Schedule -  
 Budget and Actual (Non-GAAP Basis)  
 General Fund  
 For the Year Ended September 30, 2013  
 UNAUDITED

	Original Budget	Final Budget	Actual (Budgetary Basis)	Variance with Final Budget Positive (Negative)
REVENUES				
Property taxes	\$ 2,201,998	2,255,768	2,255,768	
Licenses, commissions and other revenue	113,890	91,925	91,925	
Fines and forfeitures	339,115	249,743	249,743	
Intergovernmental revenues	420,500	315,098	315,098	
Charges for services	2,500			
Interest income	24,000	45,923	45,923	
Miscellaneous revenues	669,235	274,797	274,797	
Total Revenues	<u>3,771,238</u>	<u>3,233,254</u>	<u>3,233,254</u>	<u>0</u>
EXPENDITURES				
Current:				
General government	3,137,951	2,532,146	2,532,146	
Public safety	918,007	996,939	996,939	
Health and welfare	86,840	93,998	93,998	
Conservation of natural resources	32,218	35,355	35,355	
Debt service:				
Principal		544,000	544,000	
Interest		18,466	18,466	
Total Expenditures	<u>4,175,016</u>	<u>4,220,904</u>	<u>4,220,904</u>	<u>0</u>
Excess of Revenues over (under) Expenditures	<u>(403,778)</u>	<u>(987,650)</u>	<u>(987,650)</u>	<u>0</u>
OTHER FINANCING SOURCES				
Short-term non-capital debt issued	552,000	576,000	576,000	
Total Other Financing Sources	<u>552,000</u>	<u>576,000</u>	<u>576,000</u>	<u>0</u>
Net Change in Fund Balance	148,222	(411,650)	(411,650)	
Fund Balances - Beginning	<u>1,170,105</u>	<u>1,170,105</u>	<u>1,170,105</u>	<u>0</u>
Fund Balances - Ending	<u>\$ 1,318,327</u>	<u>758,455</u>	<u>758,455</u>	<u>0</u>

The accompanying notes to the Required Supplementary Information are an integral part of this statement.

JEFFERSON COUNTY  
 Budgetary Comparison Schedule -  
 Budget and Actual (Non-GAAP Basis)  
 Garbage and Solid Waste Fund  
 For the Year Ended September 30, 2013  
 UNAUDITED

	Original Budget	Final Budget	Actual (Budgetary Basis)	Variance with Final Budget Positive (Negative)
REVENUES				
Property taxes	\$ 108,750	111,896	111,896	
Intergovernmental revenues	70,000	10,800	10,800	
Charges for services	283,350	263,581	263,581	
Interest income		3	3	
Total Revenues	<u>462,100</u>	<u>386,280</u>	<u>386,280</u>	<u>0</u>
EXPENDITURES				
Current:				
Public works	417,100	379,148	379,148	
Debt service:				
Principal	<u>45,000</u>	<u>41,310</u>	<u>41,310</u>	<u>0</u>
Total Expenditures	<u>462,100</u>	<u>420,458</u>	<u>420,458</u>	<u>0</u>
Excess of Revenues over (under) Expenditures		<u>(34,178)</u>	<u>(34,178)</u>	<u>0</u>
Net Change in Fund Balance		(34,178)	(34,178)	
Fund Balances - Beginning	<u>(603,781)</u>	<u>(603,781)</u>	<u>(603,781)</u>	<u>0</u>
Fund Balances - Ending	<u>\$ (603,781)</u>	<u>(637,959)</u>	<u>(637,959)</u>	<u>0</u>

The accompanying notes to the Required Supplementary Information are an integral part of this statement.

JEFFERSON COUNTY  
 Budgetary Comparison Schedule -  
 Budget and Actual (Non-GAAP Basis)  
 Countywide Road Maintenance  
 For the Year Ended September 30, 2013  
 UNAUDITED

	Original Budget	Final Budget	Actual (Budgetary Basis)	Variance with Final Budget Positive (Negative)
REVENUES				
Property taxes	\$ 376,626	419,792	419,792	
Road and bridge privilege taxes		82,410	82,410	
Intergovernmental revenues	1,060,000	930,846	930,846	
Miscellaneous revenues	3,000	137	137	
Total Revenues	<u>1,439,626</u>	<u>1,433,185</u>	<u>1,433,185</u>	<u>0</u>
EXPENDITURES				
Current:				
Public works	1,314,626	809,300	809,300	
Debt service:				
Principal	415,000	410,132	410,132	
Interest	10,000	10,387	10,387	
Total Expenditures	<u>1,739,626</u>	<u>1,229,819</u>	<u>1,229,819</u>	<u>0</u>
Excess of Revenues over (under) Expenditures	<u>(300,000)</u>	<u>203,366</u>	<u>203,366</u>	<u>0</u>
OTHER FINANCING SOURCES				
Short-term non-capital debt issued	<u>300,000</u>	<u>324,000</u>	<u>324,000</u>	
Total Other Financing Sources	<u>300,000</u>	<u>324,000</u>	<u>324,000</u>	<u>0</u>
Net Change in Fund Balance		527,366	527,366	
Fund Balances - Beginning	<u>1,221,036</u>	<u>1,221,036</u>	<u>1,221,036</u>	<u>0</u>
Fund Balances - Ending	<u>\$ 1,221,036</u>	<u>1,748,402</u>	<u>1,748,402</u>	<u>0</u>

The accompanying notes to the Required Supplementary Information are an integral part of this statement.

JEFFERSON COUNTY

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# JEFFERSON COUNTY

## Notes to the Required Supplementary Information For the Year Ended September 30, 2013 UNAUDITED

### A. Budgetary Information.

Statutory requirements dictate how and when the County's budget is to be prepared. Generally, in the month of August, prior to the ensuing fiscal year beginning each October 1, the Board of Supervisors of the County, using historical and anticipated fiscal data and proposed budgets submitted by the Sheriff and the Tax Assessor-Collector for his or her respective department, prepares an original budget for each of the Governmental Funds for said fiscal year. The completed budget for the fiscal year includes for each fund every source of revenue, each general item of expenditure, and the unencumbered cash and investment balances. When during the fiscal year it appears to the Board of Supervisors that budgetary estimates will not be met, it may make revisions to the budget.

The County's budget is prepared principally on the cash basis of accounting. All appropriations lapse at year end, and there are no encumbrances to budget because state law does not require that funds be available when goods or services are ordered, only when payment is made.

### B. Basis of Presentation.

The Budgetary Comparison Schedule - Budget and Actual (Non-GAAP Basis) presents the original legally adopted budget, the final legally adopted budget, actual amounts on a budgetary (Non-GAAP Basis) and variances between the final budget and the actual amounts. The schedule is presented for the General Fund and each major Special Revenue Fund. The Budgetary Comparison Schedule - Budget and Actual (Non-GAAP Basis) is a part of required supplemental information.

### C. Budget/GAAP Reconciliation.

The major differences between the budgetary basis and the GAAP basis are:

1. Revenues are recorded when received in cash (budgetary) as opposed to when susceptible to accrual (GAAP).
2. Expenditures are recorded when paid in cash (budgetary) as opposed to when susceptible to accrual (GAAP).

The following schedule reconciles the budgetary basis schedules to the GAAP basis financial statements for the General Fund and each major Special Revenue Fund:

	Governmental Fund Types		
	General Fund	Garbage and Solid Waste Fund	Countywide Road Maintenance Fund
Budget (Cash Basis)	\$ (411,650)	(34,178)	527,366
Increase (Decrease)			
Net adjustments for revenue accruals	(37,736)	(3,912)	(35,051)
Net adjustments for expenditure accruals	625,840	(6,253)	222,221
Other reconciling items:			
Short term debt	(576,000)		(324,000)
Proceeds from sale of capital assets	9,301		
GAAP Basis	\$ <u>(390,245)</u>	<u>(44,343)</u>	<u>390,536</u>

JEFFERSON COUNTY

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## JEFFERSON COUNTY

## SUPPLEMENTAL INFORMATION

JEFFERSON COUNTY

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JEFFERSON COUNTY  
Reconciliation of Operating Costs of Solid Waste  
For the Year Ended September 30, 2013

Operating Expenditures, Cash Basis:

Salaries	\$	227,008
Expendable Commodities:		
Gasoline and petroleum products		36,891
Repair parts		24,541
Maintenance		1,111
Insurance on equipment		414
Contractual Services		53,425
Supplies		8,114
Postage and box rent		10,842
Telephone and utilities		13,360
Principal		40,594
Interest		<u>4,158</u>
Solid Waste Cash Basis Operating Expenditures		420,458
Full Cost Expenses:		
Depreciation on equipment		22,371
Net effect of other accrued expenses		<u>6,253</u>
Solid Waste Full Cost Operating Expenses	\$	<u><u>449,082</u></u>

JEFFERSON COUNTY

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## JEFFERSON COUNTY

## OTHER INFORMATION

JEFFERSON COUNTY

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JEFFERSON COUNTY  
Schedule of Surety Bonds for County Officials  
For the Year Ended September 30, 2013  
UNAUDITED

Name	Position	Company	Bond
Christopher Lowe	Supervisor District 1	FCCI Insurance Company	\$100,000
Dudley Guice, Sr.	Supervisor District 2	Travelers Casualty and Surety Company of America	\$100,000
Trent Hudson	Supervisor District 3	Western Surety Company	\$100,000
David Day	Supervisor District 4	Western Surety Company	\$100,000
Ray Perryman	Supervisor District 5	Western Surety Company	\$100,000
Lorraine Lias	County Administrator	Western Surety Company	\$100,000
Deloris Frye	Chancery Clerk	Western Surety Company	\$100,000
Sherra Wilson	Purchase Clerk	Lexon Insurance Company	\$75,000
Tamika Smith	Receiving Clerk	Western Surety Company	\$75,000
Linda White	Inventory Control Clerk	Western Surety Company	\$75,000
Douglas Ray Smith	Road Manager	Western Surety Company	\$50,000
Carl Bailey	Constable	Western Surety Company	\$50,000
Arnell Harried	Circuit Clerk	Western Surety Company	\$100,000
Peter Walker	Sheriff	Western Surety Company	\$100,000
Anthony Green	Sheriff Deputy	Western Surety Company	\$50,000
Robert Shelby	Sheriff Deputy	Western Surety Company	\$50,000
Derrick Stampley	Sheriff Deputy	Western Surety Company	\$50,000
Bobby Bailey	Sheriff Deputy	Western Surety Company	\$25,000
James Bailey	Sheriff Deputy	Western Surety Company	\$25,000
McArthur Doss	Sheriff Deputy	Western Surety Company	\$25,000
Natoya Williams	Sheriff Deputy	Western Surety Company	\$25,000
Linton Fitzgerald III	Sheriff Deputy	Western Surety Company	\$25,000
Charlie Norrell, Jr.	Sheriff Deputy	Western Surety Company	\$25,000
James Oliver	Justice Court Judge	Travelers Casualty and Surety Company of America	\$50,000
Tomika Irving	Justice Court Judge	Western Surety Company	\$50,000
Marilyn Jones	Justice Court Clerk	Old Republic Surety Company	\$50,000
Kinshasa West	Deputy Justice Court Clerk	Western Surety Company	\$50,000
Velronque Tenner	Deputy Justice Court Clerk	Western Surety Company	\$50,000
Samantha Franklin-Jackson	Tax Assessor-Collector	Western Surety Company	\$100,000
Tamika Smith	Solid Waste	Western Surety Company	\$100,000

JEFFERSON COUNTY

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## JEFFERSON COUNTY

### SPECIAL REPORTS

JEFFERSON COUNTY

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**STATE OF MISSISSIPPI**  
**OFFICE OF THE STATE AUDITOR**  
**STACEY E. PICKERING**  
AUDITOR

**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING  
AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF THE  
FINANCIAL STATEMENTS  
PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***

Members of the Board of Supervisors  
Jefferson County, Mississippi

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of Jefferson County, Mississippi, as of and for the year ended September 30, 2013, and the related notes to the financial statements, which collectively comprise the County's basic financial statements and have issued our report thereon dated April 24, 2015. Our report includes an adverse opinion on the aggregate discretely presented component units due to the omission of the discretely presented component units which are required by accounting principles generally accepted in the United States of America to be reported with the financial data of the County's primary government unless the County also issues financial statements for the financial reporting entity that include the financial data for its component unit.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered Jefferson County, Mississippi's internal control over financial reporting to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the County's internal control. Accordingly, we do not express an opinion on the effectiveness of the County's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying Schedule of Findings and Responses, we identified certain deficiencies in internal control that we consider to be material weaknesses and significant deficiencies.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiencies described in the accompanying Schedule of Findings and Responses as 2013-001, 2013-002, 2013-003, 2013-007, 2013-008, 2013-009, 2013-010, 2013-011, and 2013-012 to be material weaknesses.

A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiencies described in the accompanying Schedule of Findings and Responses as 2013-004, 2013-005, 2013-006, 2013-013, 2013-014, 2013-015, 2013-016 and 2013-017 to be significant deficiencies.

### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether Jefferson County, Mississippi's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed an instance of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which is described in the accompanying Schedule of Findings and Responses as item 2013-010.

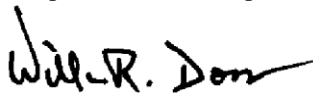
We also noted certain matters which we have reported to the management of Jefferson County, Mississippi, in the Independent Auditor's Report on Central Purchasing System, Inventory Control System and Purchase Clerk Schedules and the Limited Internal Control and Compliance Review Management Report dated April 24, 2015, included within this document.

### **Jefferson County's Responses to Findings**

Jefferson County's responses to the findings identified in our audit are described in the accompanying Schedule of Findings and Responses. Jefferson County's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

### **Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose. However, this report is a matter of public record and its distribution is not limited.



WILLIAM R. DOSS, CPA  
Director, Financial and Compliance Audit Division

April 24, 2015



**STATE OF MISSISSIPPI  
OFFICE OF THE STATE AUDITOR  
STACEY E. PICKERING  
AUDITOR**

**INDEPENDENT AUDITOR'S REPORT ON CENTRAL PURCHASING SYSTEM,  
INVENTORY CONTROL SYSTEM AND PURCHASE CLERK SCHEDULES  
(REQUIRED BY SECTION 31-7-115, MISS. CODE ANN. (1972))**

Members of the Board of Supervisors  
Jefferson County, Mississippi

We have examined Jefferson County, Mississippi's (the County) compliance with establishing and maintaining a central purchasing system and inventory control system in accordance with Sections 31-7-101 through 31-7-127, Miss. Code Ann. (1972) and compliance with the purchasing requirements in accordance with the bid requirements of Section 31-7-13, Miss. Code Ann. (1972) during the year ended September 30, 2013. The Board of Supervisors of Jefferson County, Mississippi is responsible for the County's compliance with those requirements. Our responsibility is to express an opinion on the County's compliance based on our examination.

Our examination was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants and, accordingly, included examining, on a test basis, evidence about the County's compliance with those requirements and performing other procedures as we considered necessary in the circumstances. We believe our examination provides a reasonable basis for our opinion. Our examination does not provide a legal determination on the County's compliance with specified requirements. The Board of Supervisors of Jefferson County, Mississippi, has established centralized purchasing for all funds of the County and has established an inventory control system. The objective of the central purchasing system is to provide reasonable, but not absolute, assurance that purchases are executed in accordance with state law.

Because of inherent limitations in any central purchasing system and inventory control system, errors or irregularities may occur and not be detected. Also, projection of any current evaluation of the system to future periods is subject to the risk that procedures may become inadequate because of changes in conditions or that the degree of compliance with the procedures may deteriorate.

The results of our audit procedures disclosed certain instances of noncompliance with the aforementioned code sections. These instances of noncompliance were considered in forming our opinion on compliance. Our findings and recommendations and your responses are disclosed below:

**Purchase Clerk.**

1. Emergency purchases should be documented in the board minutes.

**Finding**

Section 31-7-13(k), Miss. Code Ann. (1972), states that at the board meeting next following the emergency purchase or repair contract, documentation of the purchase or repair contract, including a description of the commodity purchased, the price thereof and the nature of the emergency shall be presented to the board and shall be placed on the minutes of the board of such governing authority. We noted during our audit test work that emergency purchases were not documented in the Board of Supervisor's minutes. The failure to document emergency purchases could result in the loss or misappropriation of public funds.

### Recommendation

The Purchase Clerk should ensure that emergency purchases are documented in the Board of Supervisors' minutes.

### Purchase Clerk's Response

The purchase was made as an emergency purchase and I was unaware that it wasn't in the board minutes, but from this point on, I will comply and make sure it's in the minutes whether it's the day of, before or after.

2. Documentation should be maintained when two competitive written bids are obtained as required by law.

### Finding

Section 31-7-13(b), Miss. Code Ann. (1972), states that purchases which involve an expenditure of more than \$5,000, but not more than \$50,000, exclusive of freight and shipping charges, may be made from the lowest and best bidder without publishing or posting advertisement for bids, provided at least two competitive written bids have been obtained. We noted during our audit test work, that documentation for getting two competitive written bids was not maintained on six separate instances for the purchase of petroleum products and a vehicle with a purchase price greater than \$5,000. The failure to obtain and document competitive written bids could result in excess costs to the County and misappropriation of public funds.

### Recommendation

The Purchase Clerk should ensure that at least two competitive written bids are documented and obtained prior to purchasing any items with a cost between \$5,000 and \$50,000, as required by law.

### Purchase Clerk's Response

I will comply from this point forward. I would obtain the bids but wasn't aware that I had to keep them on file with the rest of my documentation.

In our opinion, because of the noncompliance referred to in the preceding paragraph, Jefferson County, Mississippi, did not comply, in all material respects, with state laws governing central purchasing, inventory and bid requirements for the year ended September 30, 2013.

The accompanying schedules of (1) Purchases Not Made from the Lowest Bidder, (2) Emergency Purchases and (3) Purchases Made Noncompetitively from a Sole Source are presented in accordance with Section 31-7-115, Miss. Code Ann. (1972). The information contained on these schedules has been subjected to procedures performed in connection with our aforementioned examination of the purchasing system and, in our opinion, is fairly presented when considered in relation to that examination.

Jefferson County's responses to the findings included in this report were not audited, and accordingly, we express no opinion on them.

This report is intended for use in evaluating the central purchasing system and inventory control system of Jefferson County, Mississippi, and is not intended to be and should not be relied upon for any other purpose. However, this report is a matter of public record and its distribution is not limited.



WILLIAM R. DOSS, CPA  
Director, Financial and Compliance Audit Division

April 24, 2015



JEFFERSON COUNTY

Schedule 1

Schedule of Purchases Not Made From the Lowest Bidder

For the Year Ended September 30, 2013

Our test results did not identify any purchases from other than the lowest bidder.

JEFFERSON COUNTY  
Schedule of Emergency Purchases  
For the Year Ended September 30, 2013

Schedule 2

<u>Date</u>	<u>Item Purchased</u>	<u>Amount Paid</u>	<u>Vendor</u>	<u>Reason for Emergency Purchase</u>
2/21/2013	culverts	\$ 1,790.10	Southern Culvert	Bridges were washing out
2/25/2013	culverts	\$ 3,173.20	Southern Culvert	Bridges were washing out
2/27/2013	culverts	\$ 12,246.30	Southern Culvert	Bridges were washing out
2/28/2013	culverts	\$ 1,221.40	Southern Culvert	Bridges were washing out

JEFFERSON COUNTY

Schedule 3

Schedule of Purchases Made Noncompetitively From a Sole Source  
For the Year Ended September 30, 2013

Our test results did not identify any purchases made noncompetitively from a sole source.

JEFFERSON COUNTY

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**STATE OF MISSISSIPPI**  
**OFFICE OF THE STATE AUDITOR**  
**STACEY E. PICKERING**  
AUDITOR

**LIMITED INTERNAL CONTROL AND COMPLIANCE REVIEW MANAGEMENT REPORT**

Members of the Board of Supervisors  
Jefferson County, Mississippi

In planning and performing our audit of the financial statements of Jefferson County, Mississippi for the year ended September 30, 2013, we considered Jefferson County, Mississippi's internal control to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide assurance on internal control.

In addition, for areas not considered material to Jefferson County, Mississippi's financial reporting, we have performed some additional limited internal control and state legal compliance review procedures as identified in the state legal compliance audit program issued by the Office of the State Auditor. Our procedures were substantially less in scope than an audit, the objective of which is the expression of an opinion on the County's compliance with these requirements. Accordingly, we do not express such an opinion. This report does not affect our report dated April 24, 2015, on the financial statements of Jefferson County, Mississippi.

Due to the reduced scope, these review procedures and compliance tests cannot and do not provide absolute assurance that all state legal requirements have been complied with. Also, our consideration of internal control would not necessarily disclose all matters within the internal control that might be weaknesses. In accordance with Section 7-7-211, Miss. Code Ann. (1972), the Office of the State Auditor, when deemed necessary, may conduct additional procedures and tests of transactions for this or other fiscal years to ensure compliance with legal requirements.

The results of our review procedures and compliance tests identified certain immaterial instances of noncompliance with state laws and regulations and other areas that are opportunities for strengthening internal controls and operating efficiency. Our findings, recommendations, and your responses are disclosed below:

Board of Supervisors.

1. Tax levy is not correct as required by law.

Finding

Section 27-39-329(b), Miss. Code Ann. (1972), states that "beginning with taxes levied for the fiscal year 1983, each County shall levy each year an ad valorem tax of one (1) mill upon all taxable property of the County which may be used for any purpose for which the Counties are authorized by law to levy an ad valorem tax." We noted during our audit test work that the Board of Supervisors approved a millage rate as required by Section 27-39-329(b) of .35 mills instead of the (1) mill requirement. The failure to approve the correct millage rate of (1) mill resulted in a loss of revenue to the County.

### Recommendation

The Board of Supervisors should ensure that the tax levy is correct before approving the tax levy in their minutes.

### Board of Supervisors' Response

This error has been corrected in the updated tax levies. However, the error was made by the previous County administrator. Both tax levies that have been done by the current administrator are reflecting 1 mill for general purpose.

Board of Supervisors.

## 2. Synopsis of audit report was not published.

### Finding

Section 7-7-221(1), Miss. Code Ann. (1972), requires a synopsis of the annual audit report of the fiscal and financial affairs of the County to be published in a local newspaper as soon as possible after the County receives a copy of the audit report. The County did not publish the 2012 audit synopsis. The failure to publish the annual audit synopsis resulted in noncompliance with state law.

### Recommendation

The County should publish an audit synopsis of the annual audit report as required by law.

### Board of Supervisor's Response

I, Delorise Frye – Clerk did not publish a synopsis of the 2012 audit report. But in the future, I will make sure that it gets published.

Board of Supervisors.

## 3. The County should prorate interest earned to all applicable funds.

### Finding

Section 19-9-29(c), Miss. Code Ann. (1972), states that any interest derived from special purpose funds which are outside the function of General County government shall be paid into that special purpose fund. The County recorded all interest earned from the County's combined checking account into the General Fund instead of the fund from which the investments were made. Failure to prorate interest earned among the funds included in the combined checking account could result in the funds being spent for the wrong purpose.

### Recommendation

The Board of Supervisors should prorate the interest earned on the combined checking account among all funds that have cash in the checking accounts, as required by law.

### Board of Supervisors' Response

The Chancery Clerk will solicit the services of a part-time financial assistant so that proper accounting practices will be implemented daily and thorough reviews will be done after each bank reconciliation, thus enabling the County to become aware of all interest earned on accounts so that it can be properly prorated immediately.

Board of Supervisors.

4. Collateralization procedures are not being performed.

Finding

Section 27-105-5, Miss. Code Ann. (1972), gives the responsibility to the State Treasurer for the collateralization of public deposits. However, the County is still required to perform certain duties related to the collateralization of public funds. The following duties were not performed:

- a. The County did not reconcile the information on the annual report received from the County depositories to their records.
- b. The Public Depositors Annual Report was not submitted to the Office of the State Treasurer.

Without accurate and timely reconciliation of the annual report, the risk increases that the County's total deposits may not be properly collateralized.

Recommendation

The Chancery Clerk should ensure the reconciliation is prepared annually and the annual report is submitted by October 31<sup>st</sup>.

Board of Supervisors' Response

I will comply.

Board of Supervisors.

5. Jefferson County should expire all individual's password on a periodic basis.

Finding

A review of Jefferson County's security settings revealed that some user's passwords were set to expire on more infrequent basis than recommended in best business practices. All passwords should be set to expire in accordance with policy to be determined by Jefferson County.

Recommendation

We recommend that a policy be implemented to ensure that passwords are expired on a regular basis. In addition, Jefferson County should conduct access reviews for information assets on a periodic basis (at least annually). Documentation of these reviews should be signed by the person conducting them and retained for review by auditors.

Board of Supervisors' Response

Once the software and equipment has been upgraded a policy will be implemented to ensure that passwords are expired on a regular basis. Additionally, access reviews for the updated equipment/software will be further discussed with the computer company doing the upgrading process.

Board of Supervisors.

6. Jefferson County Should Strengthen Passwords

Finding:

During our review, we noted that Jefferson County is using some parameters associated with password strength that meet industry standard best practices. However, the County has some password parameters that would not meet these standards, thereby creating unnecessary risk for Jefferson County Information Assets.

Recommendation:

We recommend that Jefferson County improve its password strength by changing password parameters to comply with password management best practices and industry standards.

Board of Supervisors' Response

The County will improve its password strength as the new technology upgrade is done. The process should be completed within the next two months.

Board of Supervisors.

7. Jefferson County should install network banners on its internal network.

Finding:

During our review of Jefferson County, we noted that the system did not display appropriate network banners on its internal network. Network banners are electronic messages that provide notice of legal rights to users of computer networks. Bannering assists in the prosecution of computer related incidents by helping prevent certain defenses made by the perpetrator.

Recommendation:

We recommend that Jefferson County implement appropriate network banners on its internal network.

Board of Supervisors' Response

The County's Technology upgrade project will have the appropriate network banners included in its implementation.

8. Controls over repayment of interfund advances should be strengthened.

Finding

The County has interfund loans outstanding that are over a year old. These interfund loans total \$680,585 as of September 30, 2013. These advances were made in prior years for cash flow purposes. The Mississippi Code is silent regarding the authority of the County to make these loans. Failure to repay these loans constitutes a diversion of legally restricted funds

Recommendation

The Board of Supervisors should ensure that these old interfund advances are repaid.

Board of Supervisors' Response

The Chancery Clerk in his or her capacity as Clerk of the Board will ensure that proper documentation is spread upon the board's minutes for all inter-fund loans that have been approved by the board. In addition, an approved schedule will be developed to govern the repayment. The Board of Supervisors will implement this policy immediately.

Sheriff.

9. Sheriff settlements of collections were not made monthly.

Finding

Section 19-25-13, Miss. Code Ann. (1972), requires the Sheriff to settle all collections of fees and charges to the County on a monthly basis. During our test work, we noted that settlements of collections were not made every month. The failure to settle the Sheriff collections timely could result in the loss or misuse of public funds.



#### Recommendation


The Sheriff should settle all collections on a monthly basis as required by law.

#### Sheriff's Response

We acknowledge receipt of the above finding, however, we have made adjustments and this finding is now on track. Every effort will be made to see that this does not occur again.

Jefferson County's responses to the findings included in this report were not audited, and accordingly, we express no opinion on them.

This report is intended solely for the information and use of management, the Board of Supervisors, and others within the entity and is not intended to be and should not be used by anyone other than these parties. However, this report is a matter of public record and its distribution is not limited.

A handwritten signature in black ink that reads "Will R. Dooss". The signature is written in a cursive, flowing style.

WILLIAM R. DOSS, CPA  
Director, Financial and Compliance Audit Division

April 24, 2015

JEFFERSON COUNTY

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JEFFERSON COUNTY

SCHEDULE OF FINDINGS AND RESPONSES

JEFFERSON COUNTY

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JEFFERSON COUNTY

Schedule of Findings and Responses  
For the Year Ended September 30, 2013

Section 1: Summary of Auditor's Results

***Financial Statements:***

- |    |  |            |
|----|--|------------|
| 1. | Type of auditor's report issued on the financial statements: |            |
|    | Governmental activities                                      | Unmodified |
|    | Business-type activities                                     | Unmodified |
|    | Aggregate discretely presented component units               | Adverse    |
|    | General Fund   | Unmodified |
|    | Garbage and Solid Waste Fund                                 | Unmodified |
|    | Countywide Road Maintenance Fund                             | Unmodified |
|    | Correctional Facility Fund                                   | Unmodified |
|    | Aggregate remaining fund information                         | Unmodified |
| 2. | Internal control over financial reporting:                   |            |
|    | a. Material weaknesses identified?                           | Yes        |
|    | b. Significant deficiencies identified?                      | Yes        |
| 3. | Noncompliance material to the financial statements noted?    | Yes        |

Section 2: Financial Statement Findings

Board of Supervisors

Material Weakness

2013-001. Discretely presented component units should be included in the financial statements.

Finding

Generally accepted accounting principles require the financial data for the County's component units to be reported with the financial data of the County's primary government unless the County also issues financial statements for the financial reporting entity that include the financial data for the County's legally separate component units. The financial statements do not include the financial data for the County's legally separate component units. The failure to properly follow generally accepted accounting principles resulted in an adverse opinion on the discretely presented component units.

Recommendation

The Board of Supervisors should provide the financial data for its discretely presented component units for the inclusion in the County's financial statements.

Board of Supervisor's Response

The Board of Supervisors will comply. However, based upon the volume of work that the component units generate, the board elected not to have the component units included.

## JEFFERSON COUNTY

### Schedule of Findings and Responses For the Year Ended September 30, 2013

Board of Supervisors

Material Weakness

2013-002. County Signed Warrants Without Sufficient Money

Finding

Section 19-13-43, Miss. Code Ann. (1972), prohibits the signing of warrants or the delivery of warrants until there is sufficient money in the fund upon which it is drawn to pay the same. As reported in prior years' audit reports, warrants were issued on funds which did not have sufficient money to pay the warrants. As of September 30, 2013, the following funds had negative cash balances in the indicated amounts:

- a. General Fund - \$ 1,315,405
- b. Mapping and Reappraisal Fund- \$186,541
- c. CDC – Health Needs Assessments Fund - \$353
- d. USDA Home Fund - \$19,277
- e. USDA Farmers Market Promotion Fund - \$32,156
- f. Garbage and Solid Waste Fund - \$603,158
- g. Fire Maintenance Fund - \$ 48,821
- h. CDBG Road Grant Fund - \$55,749
- i. Economic Development Youth Building Fund - \$10,162
- j. Jefferson County Road & Bridge Bond Fund - \$256,411
- k. Jail Bond and Interest Sinking - \$18,635
- l. Jefferson County Water/Sewer Fund - \$89,332
- m. Copiah-Jefferson Regional Library - \$1,324
- n. Jefferson/Franklin County Correctional Facility - \$321,950

Failure to have sufficient cash balances in County funds prior to issuing warrants on these funds resulted in other funds' cash being used for purposes other than their intended purpose. This situation could result in the Board of Supervisors being held personally liable for such amounts.

Recommendation

The Board of Supervisors should ensure that no warrants are signed or delivered until there is sufficient money in the fund upon which it is drawn to pay the same, as required by law.

Board of Supervisors/County Administrator/Chancery Clerk

The Chancery Clerk's Office, Board of Supervisors, as well as, the County Administrator are currently working on ways to improve the financial management process of the County as it relates to issuing warrants without sufficient funds. Additionally proper planning of spending/ purchases will ensure that the County only makes necessary purchases and that these purchases are made during the months that the County received the majority of tax revenues.

Board of Supervisors/County Administrator/Chancery Clerk

Material Weakness

2013-003. National Forest Distribution Title I Funds were not settled to the school.

Finding

During fiscal year 2013, Jefferson County received \$72,043.37 in National Forest Distribution Title I funds, a portion of the Secure Rural Schools Act State payments, which are to be used to benefit public schools and public roads in counties where national forests are located.

## JEFFERSON COUNTY

### Schedule of Findings and Responses For the Year Ended September 30, 2013

Upon receipt of these funds, fifty percent of the total received should be settled to the County's public schools. During our audit testing procedures, we noted that the County did not settle fifty percent of the total monies received to the County's public schools. The County's lack of adequate internal controls resulted in an overstatement of County revenues in the amount of \$36,021.69. An adjustment was proposed by the auditor, and made with County management's approval to reclassify these funds from revenue to a liability (other payable).

#### Recommendation

The Board of Supervisors should take the necessary steps to ensure that fifty percent of the total National Forest Distribution Title I funds received are settled to the County's public school.

#### Board of Supervisors/County Administrator/Chancery Clerk's Response

The Board of Supervisors will make sure that this settlement with the school district is corrected.

Board of Supervisors

Significant Deficiency

2013-004. Jefferson County needs to replace obsolete computer hardware and software.

#### Finding

Jefferson County is running operating systems, as well as application on some of its personal computers (PCs), that might not be supported by vendors. Due to lack of support, these systems could become vulnerable to hackers and malware such as viruses.

#### Recommendations

We recommend that Jefferson County develop a plan to replace the operating system, applications and hardware when necessary that is associated with lack of support from vendors as soon as possible. Computers that originally included operating systems or applications that are no longer supported by vendors will have hardware that most likely cannot run the newest operating system or applications, thereby requiring replacement of hardware, operating systems and applications in many cases. Due to the possible large number of PCs that need replacing, this procedure could involve a sizable expenditure by the County. Due to the cost and effort involved in such a project, this project should be begun as soon as possible.

#### Board of Supervisor's Response

The County does have a plan to replace out dated equipment and software. An assessment and quote was represented to the Board this summer (2014). This advertisement for bids will run in the month of October, 2014.

Board of Supervisors

Significant Deficiency

2013-005. Jefferson County should implement a formal Information Security Policy.

#### Finding:

Jefferson County has not adopted a formal Information Security Policy or Enterprise Security Plan. The lack of a formal Information Security Policy can lead to a breakdown of basic security practices in the areas of application security, LAN/WAN security, management of the security application and Internet protocol.

## JEFFERSON COUNTY

### Schedule of Findings and Responses For the Year Ended September 30, 2013

#### Recommendation:

While full compliance with all facets of a robust Information Security Policy may be an economic challenge for Jefferson County, beginning steps to become compliant with such are necessary. We recommend that Jefferson County create a plan of compliance with industry standards to ensure progress towards a robust documented information security plan. This policy should be reviewed and approved by County supervisors. In addition, employees that utilize technology should review and accept such policies before access to computer resources is granted to employees. Proof of approval by management and acceptance by employees should be retained for review by auditors.

#### Board of Supervisors' Response

A security policy will be included in the upgrading process which will begin by the end of this year. A plan of compliance will be developed and approved by the Board of Supervisors and made available to each employee using the County computers.

Board of Supervisors

Significant Deficiency

2013-006. Jefferson County should establish and test a Disaster Recovery Process

#### Finding:

During our review of the IS controls of Jefferson County ("the County"), we noted the County has not established a disaster recovery process. As a result, Jefferson County cannot fully ensure that the County's information systems can be restored in a timely manner. Disaster recovery involves defining and documenting plans to help sustain and recover critical information technology resources, information systems, and associated business functions. *Control Objectives for Information and Related Technology* (CobiT, Section DS4), as well as recognized industry best practices, require a written disaster recovery plan be developed and tested regularly to provide orderly recovery of vital functions in the event of a hardware or environmental disaster. Failure to maintain an adequate recovery plan could impede the agency's ability to regain computer operations in the event of a disaster.

There are a number of steps that an organization can take to prevent or minimize the damage to automated operations that may occur from unexpected events. One example is routinely backing up data files and programs and periodically restoring these files and programs as part of a formal, documented disaster recovery exercise. Such actions maintain the organization's ability to restore data files, which may be impossible to re-create.

Jefferson County is currently using an automated system to perform daily back-ups of the AS400, but is not restoring such files as part of a formal, documented disaster recovery exercise. Without proper assurance that back-up files can be utilized to adequately restore all critical data in a timely manner in the event of disaster scenario, material damage could be realized by the County and its processes should a catastrophic event occur involving the County's building and servers. Risk and probabilities of material loss escalates in relationship to the longer an exposure goes unmitigated.

#### Recommendation:

We recommend that Jefferson County develop, implement, and test a plan to ensure that critical data and applications are recoverable in case of a disaster scenario. We further recommend that Jefferson County develop and implement a disaster recovery plan documenting procedures to be followed during an emergency. Once the plan is completed, it should be subjected to proper testing, and employees should be made aware of their responsibilities in the event of a disaster. The plan should be updated when needed in order to maintain readiness for a disaster scenario.



JEFFERSON COUNTY

Schedule of Findings and Responses  
For the Year Ended September 30, 2013

Board of Supervisors' Response

The County is in the process of upgrading its technology system and a disaster recovery plan is included in this upgrade.

Chancery Clerk

Material Weakness

2013-007. The Chancery Clerk is not reimbursing the County for employees' payroll in a timely manner.

Finding

An effective system of internal control includes the Chancery Clerk reimbursing the General Fund for the clerk's payroll paid by the County. The Chancery Clerk has not been reimbursing the General Fund in a timely manner for the clerk's employees' salaries paid by the County. The County received reimbursement for the salaries only four times from the beginning of the audit year until the date of our fieldwork, which was June 2013, September 2013, October 2013, and again in September 2014. Failure to reimburse the County for payroll resulted in an interest free loan to the Chancery Clerk and negative payroll balances in the Chancery Clerk's payroll fund.

Recommendation

The Chancery Clerk should reimburse the County for her employees' payroll in advance of the actual payroll date. The Chancery Clerk should repay to the County the deficit cash balance in the amount of \$31,576.41 reflected in the Chancery Clerk's Payroll Fund at September 2014.

Chancery Clerk's Response

I will definitely get this done so I can balance out to zero balance.

Auditor's Note

Reimbursements were made on October 3, 2014 for \$10,000, December 4, 2014 for \$7,000 and December 12, 2014 for \$3,000, leaving a balance of \$11,576.41 owed to the County.

Chancery Clerk

Material Weakness

2013-008. Internal controls over land redemption collections and settlements should be strengthened.

Finding

An effective system of internal controls over land redemption collections and settlements should include reconciling land redemption cash balance to bank statements. During our audit of land redemption, we noted that as of September 2014, reconciliations of bank statements had not been completed for any months since the beginning of the audit year on October 1, 2012. As a result, reconciliations to cash journal balance at month-end could not be accurately performed, but our reconciliation conducted on September 12, 2014 revealed a \$14,067.45 cash overage in the land redemption funds. Failure to implement adequate controls over land redemption collections and settlements could lead to a loss of public funds.

Recommendation

The Chancery Clerk should ensure that controls are in place over land redemption collections and settlements in order to maintain accountability and safeguard these funds.

JEFFERSON COUNTY

Schedule of Findings and Responses  
For the Year Ended September 30, 2013

Chancery Clerk's Response

I will get this paid as soon as possible.

Tax Assessor-Collector

Material Weakness

2013-009. Internal controls should be strengthened over tax collections.

Finding

An effective system of internal control over tax collections should include the maintenance and reconciliation of records documenting daily collections and adequate physical safeguards over cash collections. There was insufficient cash at September 30, 2013 to make the September settlement. There was a shortage of \$16,546.50 at September 30, 2013. Failure to implement adequate controls over the collection, recording and disbursement functions as well as implementing necessary physical safeguards could result in the loss of public funds.

Recommendation

We recommend that the Tax Collector maintain an effective system of internal controls over tax collections and implement adequate physical safeguards over cash.

Tax Assessor – Collector's Response

A cash count was done on September 19, 2014. No errors were found. Tax Assessor/Collector Journal balanced each and every month with the bank statement. Collection Journal and checks also balance every month.

Auditor's Note

A subsequent cash count was performed on September 19, 2014 which resulted in only a \$1,688.59 settlement difference.

Board of Supervisors

Material Weakness

Material Noncompliance

2013-010. The County should establish controls to ensure that bond payments are made timely.

Finding

Section 31-19-9, Miss. Code Ann. (1972), provides that bond payments shall be forwarded in time to reach the paying agent at least five days prior to the date on which such principal and interest shall become due. We noted in our audit test work that a bond payment for refunding bonds series 2005 in the amount of \$103,702.71 was due on June 6, 2013, but was not paid until August 6, 2013. Failure to pay bonds in a timely manner could result in a lower credit rating for the County.

Recommendation

The Board of Supervisors should ensure that all bond payments are made on time.

## JEFFERSON COUNTY

### Schedule of Findings and Responses For the Year Ended September 30, 2013

#### Board of Supervisor's Response

The Chancery Clerk will update the filing and review process of all outstanding debts, especially bonds and ensure that these debts are brought to the Board of Supervisors attention at least quarterly prior to the due dates. Moreover, these debts will be reviewed, discussed, included in the Budget Hearing as the new budget is being prepared for each fiscal year. In this, efforts will be made to not only ensure the proper allocations of funds for repayment, but also the on-time payment of all bonds debts.

Board of Supervisors.

#### Material Weakness

2013-011. The County should establish controls to ensure accurate presentation of the financial statements.

#### Finding

An effective system of internal control over financial statement preparation and reporting in accordance with generally accepted accounting principles should include adequate detail to document the compilation of individual funds' balances and transactions as well as any adjustments to these balances and transactions, proper accrual of revenues and expenditures, proper classification of funds, proper classification of revenues and expenditures/expenses, proper classification of restricted net assets and the inclusion of all required disclosures in the notes to the financial statements. We noted the following deficiencies in the financial statement preparation and reporting:

- a. Amounts reported as cash on the compiled financial statements were incorrect. Numerous cash entries were proposed by the auditor and made with County management's approval to correct cash. The first entry was proposed due to the compiler recording the negative cash of the County as other payables. The second entry was proposed in order to eliminate the negative cash balances in the various funds by setting up interfund loans. Lastly, an entry was proposed to correct the beginning balance that was misstated. These errors resulted in the Cash balance being overstated in the General Fund, Countywide Road Maintenance Fund, other governmental funds and the Governmental Activities opinion units. Audit adjustments to correct these errors were proposed to management and made to the financial statements with management's approval.
- b. Other Capital Assets, Net was incorrectly reported in the financial statements. These errors resulted in Other Capital Assets, Net being overstated in the Governmental Activities opinion unit. Audit adjustments to correct these errors were proposed to management and made to the financial statements with management's approval.
- c. Intergovernmental receivables were incorrectly reported in the financial statements. These errors resulted intergovernmental receivables balance being overstated in the other governmental funds, the Correctional Facility Fund, the Governmental Activities and Business Type-Activities opinion units. Audit adjustments to correct these errors were proposed to management and made to the financial statements with management's approval.
- d. Amounts owed to the City of Fayette were not accrued as liabilities in the financial statements. This error resulted in claims payable being understated in the Correctional Facility Fund and Business-type Activities opinion units. Audit adjustments to correct these errors were proposed to management and made to the financial statements with management's approval.
- e. Interfund loans were not set up for negative cash balances. This error resulted in incorrect amounts being reported for due from other funds and due to other funds in the other governmental funds, Countywide Road Maintenance Fund, the Correctional Facility Fund, the Governmental Activities and the Business-Type Activities Opinion units. An audit adjustment to correct this error was proposed to management and made to the financial statements with management's approval.

## JEFFERSON COUNTY

### Schedule of Findings and Responses For the Year Ended September 30, 2013

- f. Other payables were incorrectly recorded in order to eliminate negative cash balances. This error resulted in an incorrect amount being reported as other payables. Audit adjustments to correct these errors were proposed to management and made to the financial statements with management's approval.
- g. Unearned revenue was not recorded. This error caused an understatement in unearned revenue and an overstatement of charges for services. The Garbage and Solid Waste Fund and the Governmental Activities opinion unit were affected by this error. Audit adjustments to correct these errors were proposed to management and made to the financial statements with management's approval.
- h. Intergovernmental revenues were incorrectly reported in the financial statements. These errors resulted in an incorrect amount being reported as Intergovernmental Revenues in the General Fund, other governmental funds, the Countywide Road Maintenance Fund, and the Governmental Activities opinion unit. Audit adjustments to correct these errors were proposed to management and made to the financial statements with management's approval.
- i. Miscellaneous Revenues were incorrectly reported as intergovernmental revenues in the financial statements. These errors resulted in an incorrect amount being reported as miscellaneous revenues in the General Fund. Audit adjustments to correct these errors were proposed to management and made to the financial statements with management's approval.
- j. Charges for services were incorrectly classified as intergovernmental grants. This error caused an understatement in Charges for Services and an overstatement of intergovernmental grants. The Correctional Facility Fund and the Business-type Activities opinion unit were affected by this error. Audit adjustments to correct these errors were proposed to management and made to the financial statements with management's approval.
- k. Operating Grants – General Government, Operating Grants - Public Safety, and Operating Grants – Public Safety were incorrectly reported in the financial statements. These errors resulted in incorrect amounts being reported in the aforementioned categories causing the Governmental Activities opinion unit to be misstated. Audit adjustments to correct these errors were proposed to management and made to the financial statements with management's approval.

#### Recommendation:

The Board of Supervisors should implement a system of internal control over financial statement preparation and reporting in accordance with generally accepted accounting principles that includes adequate detail to document the compilation of individual funds' balances and transactions as well as any adjustments to these balances and transactions, proper classification of funds, proper accrual of revenues and expenditures, proper classification of revenues and expenditures/expenses, proper classification of restricted net assets and the inclusion of all required disclosures in the notes to the financial statements

#### Board of Supervisor's Response

The Board of Supervisors will comply.

JEFFERSON COUNTY

Schedule of Findings and Responses  
For the Year Ended September 30, 2013

Justice Court Clerk.

Material Weakness

2013-012. Justice Court Clerk should properly identify all funds.

Finding

Section 27-105-371, Miss. Code Ann. (1972), requires any unidentifiable funds to be settled into the County's General Fund. As reported in the prior seven years' audit reports, an unknown balance exists in cash reconciled by the Justice Court Clerk that cannot be accounted for. As of September 30, 2013, the balance of \$335,088.14 is unknown funds in the clearing account. Failure to properly identify and account for all funds could result in the loss of public funds.

Recommendation

The Justice Court Clerk should continue its effort to identify the proper recipients of these monies before settlement is made to the County.

Justice Court Clerk's Response:

I will comply with the recommendation that all monies and receipts of all money will be identified before settlement is made to the County. (I inherited this problem when I became clerk in 2009.)

Justice Court Clerk.

Significant Deficiency

2013-013. Justice Court Clerk should prepare cash disbursement of funds at year-end.

Finding

The Justice Court Clerk should prepare a report at September 30<sup>th</sup> of each year identifying the distribution of all funds held by the respective official in order to include these funds in the financial statements of the County. This report should specify the revenues that are due to the General Fund, other funds, state governments or others and should be submitted to the Chancery Clerk by October 31<sup>st</sup> of each year ended. This report was not prepared for the fiscal year ended. Failure to prepare the report properly could increase the risk of funds being misclassified in the financial statements.

Recommendation

The Justice Court Clerk should prepare the Distribution of Cash Form at September 30<sup>th</sup> of each year.

Justice Court Clerk's Response:

I will comply. I have already corrected this error.

JEFFERSON COUNTY

Schedule of Findings and Responses  
For the Year Ended September 30, 2013

Justice Court Clerk

Significant Deficiency

2013-014. Bank statements were not reconciled to cash journals.

Finding

An effective system of internal control should include maintaining cash journals and reconciling the bank statements to the cash journals. The bank statements were not reconciled to the cash journals. Failure to reconcile the bank statements to the cash journals could result in the loss of public funds.

Recommendation:

The Justice Clerk should ensure that the bank statements are reconciled to the cash journals.

Justice Court Clerk's Response

I will do my very best to comply with correcting this problem, and in the future audit it will be corrected.

Board of Supervisors/County Administrator/Chancery Clerk

Significant Deficiency

2013-015. The receipting and depositing of cash are not adequately segregated.

Finding

An effective system of internal controls should include an adequate segregation of duties. The Chancery Clerk receipts county funds and prepares daily deposits. These duties are not adequately segregated for effective internal control. Failure to have an adequate segregation of duties could result in the loss of public funds.

Recommendation

The Board of Supervisors should ensure that an adequate segregation of duties exist between the receipting and depositing functions.

Board of Supervisors/County Administrator/Chancery Clerk's Response

Currently there is a Warrant Receiving Clerk who receives and post all county funds and then forward said warrants to the Chancery Clerk who prepares all the daily deposits for the county.

Board of Supervisors/County Administrator/Chancery Clerk

Significant Deficiency

2013-016. Attendance records should be used.

Finding

We noted during our audit test work that formal attendance records or time cards are not required to be used. Employees only report leave and overtime. Time reports are not approved by the employee's supervisor. Failure to require use of formal attendance records could result in the loss or misappropriation of public funds.

JEFFERSON COUNTY

Schedule of Findings and Responses  
For the Year Ended September 30, 2013

Recommendation

The Board of Supervisors should require the use of attendance records which are approved by the employee's supervisor or department head prior to preparing payroll.

Board of Supervisors/County Administrator/Chancery Clerk's Response

The County will start this process of requiring employees to sign in each day and have the supervisors of the various departments to approve the said sign in sheets and then submit them for payroll to be processed.

Board of Supervisors/County Administrator/Chancery Clerk

Significant Deficiency

2013-017. Solid Waste records should be reconciled to the bank statements.

Finding

An effective system of internal control should include the reconciliation of garbage fee collections posted in the solid waste records with the collections recorded in the general ledger and the reconciliation of the bank account to the solid waste records. The garbage fee collections were not reconciled to the County's general ledger. Also, the solid waste records were not reconciled to the bank statements. Failure to reconcile accounting records could result in the loss or misappropriation of public funds.

Recommendation

The Board of Supervisors should establish and maintain procedures to ensure that the solid waste records are reconciled to the bank statements and to the garbage fee collections recorded in the County's general ledger.

Board of Supervisors/County Administrator/Chancery Clerk's Response:

The Solid Waste Department was not reconciling because we were not aware that we should have been reconciling to the bank statement and to the County general ledger. Solid Waste has now established procedures to ensure that the records are reconciled to the bank statement and to the County general ledger.

JEFFERSON COUNTY

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JEFFERSON COUNTY

AUDITEE'S SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

JEFFERSON COUNTY

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## BOARD OF SUPERVISORS

JEFFERSON COUNTY  
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SANDERS LAW FIRM, PLLC  
Attorney for Board

DELORISE FRYE  
Chancery Clerk

MEMBERS OF THE BOARD  
CHRISTOPHER LOWE, DISTRICT 1  
DUDLEY GUICE, SR., DISTRICT 2  
TRENT HUDSON, DISTRICT 3  
DAVID DAY, DISTRICT 4  
RAY PERRYMAN, DISTRICT 5

### SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS For the Year Ended September 30, 2013

Mississippi Office of the State Auditor  
P.O. Box 956  
Jackson, MS 39205

Gentlemen:

The Jefferson County Board of Supervisors respectfully submits the following summary of prior audit findings relative to federal awards.

Significant Deficiency

Board of Supervisors

Finding 2012 – 7

Condition:

OMB Circular A-133 states, in part, the auditee should be able to identify, in its accounts, all federal awards received and expended and the federal programs under which they are received. Federal program and award identification shall include, as applicable, the CFDA title and number, award number and year, name of the federal agency and name of the pass-through entity. Management did not provide a grant activity schedule for the period under audit. This resulted in additional work and could result in federal expenditures not being properly reported during the period under audit.


Recommendation:

The Board of Supervisor should implement internal controls to aid in the identification, recording and reporting of federal grant expenditures, thus ensuring the compliance with applicable provisions of the financial reporting requirements described in the OMB A-133 Compliance Supplement.

Current Status:

Corrective action was taken.

Sincerely,

  
Lorraine Lias, County Administrator  
Jefferson County, Mississippi